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## IN THIS NUMBER

C. WILFRED JENKS discusses problems of administration that must be solved in the development of international institutions. MR. JENKS has had first-hand experience with such problems on the staff of the International Labor Office.

The techniques by which the historian of administration may further the work of the agency with which he is associated are described by EARL G. LATHAM, of the Bureau of the Budget, who is a member of the staff of the Committee on Records of War Administration.

GEORGE A. WARP, of the University of Virginia, writes on the unusual administrative problems that will develop from the peculiar geographic and social conditions of the South Pacific islands.

NORMAN M. PEARSON, who wrote on budgeting in his own agency, the Department of Agriculture, in the last number of the *Review*, describes the development of the functions of the Bureau of the Budget.

The problem of coordinating the use of government questionnaires is analyzed by LUTHER STRINGHAM, who has worked on the collection and analysis of data in four federal agencies and is now employed in the Statistical Standards Office of the Office of Price Administration.

EMMETT R. RUSHIN discusses the management of Victory Councils, the government equivalent of the labor-management committee: Mr. Rushin is chairman of the Washington Office Victory Council, as well as chief personnel officer, of the National Youth Administration.

Reviewers: A pioneer study of the way in which economic power has taken on functions of government is reviewed by GARDINER C. MEANS, of the staff of the Committee for Economic Development. . . . ABRAM P. STAPLES, Attorney-General of Virginia, discusses federal-state cooperation in regulatory activities in connection with a new book on the Federal Power Commission. . . . A recent study of the place of regulatory agencies in state administrative organization is reviewed by GEORGE A. GRAHAM of the Bureau of the Budget. . . . AUGUST W. NAGEL, of the Brookings Institution, deals with the problem of multiple-purpose federal programs. . . . HARVEY F. PINNEY, of the Organization Planning Division of the Office of Price Administration, examines the biography of one of the pioneer government corporations in the United States.

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*Public Administration Review* is intended to promote the exchange of ideas among public officials and students of administration. The various views of public policy and public administration expressed herein are the private opinions of the authors; they do not necessarily reflect the official views of the agencies for which they work or the opinions of the editors of this journal.

# Some Problems of an International Civil Service

By C. WILFRED JENKS

*International Labor Office*

THERE is a growing measure of agreement that it will be impossible to grapple effectively with the problems of the postwar period without the creation of world institutions with far-reaching responsibilities. No doubt lively controversy will continue for some time over the form which such institutions should take, the extent to which they should be universal or regional in character, the degree to which and pace at which they should be developed, and the nature of the relationships which should exist between bodies with departmental responsibilities in respect of related branches of public policy. Both policy-making and public thinking are, however, already beginning to crystallize along certain lines, and it is no longer premature to press for the early consideration of some of the administrative aspects of the creation of adequate world institutions.

Though secondary to the broader political, economic, and social problems which will confront us, these administrative aspects should not be lightly ignored. The experience of the interwar period has taught us much regarding the extent to which the effectiveness of world institutions is bound up with the quality of the statesmanship displayed by their senior administrative officers, the quality of their staffs, the availability of adequate and assured financial resources, and the enjoyment of an established official status which ensures them the facilities necessary for the proper discharge of their functions. Impatience with past failures often leads those with the fresh outlook that will be needed in the postwar world to attach too little weight to the contribution which the administrative experience of the

interwar years can make to the development of the world institutions of the future. This paper is an attempt to sketch briefly some of the problems to which that experience is relevant.

During the period immediately following the war the emphasis will tend to be primarily on urgent tasks of relief and rehabilitation, which may be entrusted to emergency agencies designed to be liquidated when their jobs have been completed. Such agencies will almost inevitably be fashioned hurriedly and live by improvisations. A share of the immediate tasks of the postwar emergency may, however, be entrusted to bodies designed to become a part of the permanent structure of world organization, and for the effective implementation of long range reconstruction policies bodies of this latter character, such as the international TVA which Mr. Henry Wallace has adumbrated, will clearly be required. The principles to be followed in organizing and staffing permanent international institutions present an importance which has no parallel in the case of emergency agencies. It is primarily in connection with such permanent institutions that the interwar experience is highly instructive.

## *Responsibility for Leadership*

THE outstanding lesson to be drawn from that experience is that the highest posts in world organizations involve responsibilities which go far beyond those of an ordinary administrative officer. The successful discharge of the duties of these posts calls for statesmanship of the highest quality. It is curious that the interwar period has produced only one frank discussion of the prob-

lem—Mr. Edward Phelan's memorable sketch, in *Yes and Albert Thomas*, of the tradition of independent international statesmanship which Albert Thomas created for the Directorship of the International Labor Office. One of the crucial weaknesses of the Council and Assembly of the League of Nations during the interwar period was that the interests of the world community as such were entirely unrepresented in their proceedings. Britain and France, Luxembourg and Liberia, each had both voice and vote in the Assembly; but the centripetal forces of an evolving world community had no official representative and rarely found adequate expression. No officer of the League had an acknowledged continuing responsibility for shaping the policy of the League in the interests of the League as a whole and for defending that policy both before the Council and Assembly of the League and before the public opinion of the whole world.

The International Labor Office, under the leadership of Albert Thomas, developed a different tradition. The Director of the I.L.O. and his representatives take an active part in the proceedings of the Governing Body and the International Labor Conference, make detailed proposals upon every question which comes before the Governing Body or the Conference, and explain and defend their proposals during the discussions. The Governing Body and Conference have complete freedom to approve, amend, or reject these proposals; but on every question submitted for decision there is available for consideration a concrete proposal, based on the disinterested expert knowledge of an international staff with a wide variety of viewpoints and experience, which represents an attempt to interpret the requirements of the general interest. In the absence of leadership of this kind the difficulties of securing agreement at general international conferences are greatly increased, and often increased beyond the frequently narrow margin between hard-won success and demoralizing failure.

Effective leadership from within by world officers, who are relieved of all national responsibilities and hold their posts for substantial periods, is an indispensable condition of the effective functioning of future world institutions. It is essential to recognize that the duties of the senior officers of world institutions are not those of the traditional civil servant but call for high qualities of constructive statesmanship. Unless and until we create a world political executive the members of which are themselves world officers of state and not the representatives of national governments, there will be no real similarity between the position of the chief executive of a world institution and that of, for example, the permanent head of a government department under the British system. The position of a cabinet minister under the British system, or of the managing director of a large American corporation in relation to his board of directors, presents a fairer, though not a complete, analogy. Final responsibility for policy will necessarily rest with representative bodies consisting primarily, no doubt, of responsible representatives of governments—though it may well be found valuable to include representatives of other organized social forces therein to an increasing extent. Any future in which an international chief executive could take the place of such policy-making bodies is altogether remote, and an international dictatorship would be the most disastrous form of totalitarianism. The chief executive of a world institution must, however, assume the duty of systematically presenting the challenge of a world outlook to policy-making bodies consisting of members whose responsibilities are likely to be primarily national, and it will fall to him to defend the decisions of these bodies if they are questioned and to implement them insofar as their execution is a matter for international rather than national action.<sup>1</sup> He must therefore have an authority and a

<sup>1</sup> For a discussion of the unique features of the relationship see E. J. Phelan, "The New International Civil Service," in *2 Foreign Affairs* 307-314 (1932-33).



status which enable him to perform these duties with success.

These considerations are of course of special importance in the case of the general world authority which will be necessary to take over the central functions of world organization which the League of Nations was originally designed to discharge. No general world authority can hope to discharge its responsibilities effectively unless its chief executive is the recognized spokesman of the world community in the minds of its citizens in every land. As it seems unlikely that he will have the authority conferred by executive responsibilities comparable to those of the President of the United States or the Prime Minister of the United Kingdom, it is imperative that he should have a personal standing which will enable him to represent an international viewpoint to them and to their colleagues in other lands without being at an undue disadvantage in status and influence. This implies that he should either have held or be clearly qualified to hold some public position of the standing of that of President of the United States or Prime Minister of the United Kingdom.

#### *Qualifications of Staff*

THE quality of the leadership which any future Albert Thomas can give to the world institutions of tomorrow will depend on the quality of the staffs at his disposal. Regarding this problem the interwar experience can teach us much. The key problem is that of building up an adequate "administrative class" to fill the posts which involve influence upon policy. The minor staffs of the world institutions of the interwar period set a standard of devotion and competence which national bodies in all parts of the world might well envy. The administrative class was undeniably patchy, largely because of the difficulty of creating during the stormy twenty-year armistice what James Lorimer prophetically described sixty years ago as "a new profession . . . , corresponding to the new interests and duties which result from the recognition of the interdependence of

States"<sup>1</sup>—a profession which involves the handling of the complexities of international problems on the basis of a new set of loyalties in a world of severe emotional strains.

What are the qualities required for the successful exercise of this new profession? The essential qualities can be simply listed as integrity, conviction, courage, imagination, drive, and technical grasp—in that order. These, of course, are the qualities required for the successful discharge of any important public duties in a modern society. But there are also certain more special qualifications in the absence of which these general qualities are unlikely to be effective in an international service.

The first of these special qualifications is a distinctively international outlook, which is something quite different from the attitude ridiculed by Canning as that of "the friend of every country but his own." A lack of attachment to any one country does not constitute an international outlook. A superior indifference to the emotions and prejudices of those whose world is bounded by the frontiers of a single state does not constitute an international outlook. A blurred indistinctness of attitude towards all questions, proceeding from a freedom of prejudice born of a lack of vitality, does not constitute an international outlook. The international outlook required of the international civil servant is an awareness made instinctive by habit of the needs, emotions, and prejudices of the peoples of differently-circumstanced countries, as they are felt and expressed by the peoples concerned, accompanied by a capacity for weighing these frequently imponderable elements in a judicial manner before reaching any decision to which they are relevant. It is no part of the duty of an international official to protect or advance the interests of his country of origin; that is the duty of the responsible representatives of that country on policy-making bodies, and of its permanent repre-

<sup>1</sup> *The Institutes of the Law of Nations* (Edinburgh, 1884), II, 263.

sentative accredited to the international institution in question. Between responsibilities so diverse there is a clear cut functional incompatibility. Of course there have been and still are officials of international bodies who, despite the solemn pledges given upon their appointment, regard themselves as servants of their own countries rather than of the world community. They speedily forfeit respect, and any influence they may have is that of a national agent backed by political power and not that of a trusted colleague in an international service. They normally degenerate into the Charley McCarthys of delegates who prefer to avoid public responsibility for questionable national policies. They are nonetheless a cancer in the body politic which ought to be cut away. Wherever their influence is allowed to permeate, fresh justification is accorded for Lord Cromer's dictum that "For all purposes of action . . . administrative internationalism may be said to tend towards the creation of administrative impotence"<sup>1</sup>—a dictum which is as completely valid when applied to multinational administrative agencies staffed by members with conflicting national loyalties as it has been proved to be completely invalid when applied to international services with a common tradition of loyalty to an international authority.

The second qualification which should be fulfilled by all holding responsible posts is that of having, or being capable of acquiring with age and experience, high personal standing. By high standing is *not* meant inclusion in a social register. The officials of international institutions should have in their bones the instincts of the common man. But they must be able to mix on equal terms with those who are accustomed to handle great affairs in a variety of countries with diverse traditions, including in particular their own. By them the institution which they serve will in part be judged. The qualifications needed to give the required status differ greatly from one country to another

<sup>1</sup> *Modern Egypt* (London, 1908), II, 304.

and cannot be expressed in any simple formula, but the appointing authority must have an accurate knowledge of them if serious mistakes are to be avoided. It is specially important to avoid at all costs the recruitment of any substantial number of people who gravitate to an international center because they cannot find a place in any community with more established standards. People with dubious academic qualifications, people whom other people want to get rid of, and failures with frustrated outlooks seeking for some new start are all too apt to appear on the international doorstep. It is important that the door should be kept firmly barred against their entry. In like manner, it is a grave mistake to appoint officials with limited qualifications to junior positions as a means of increasing with a minimum of expense the number of nationalities included in an international staff, and then to expect them to act as adequate liaison officers with their own countries. The inevitable result is to undermine the prestige of the institution concerned by associating it in the minds of responsible people with some nonentity who could not conceivably play a significant role in national affairs.

Linguistic qualifications are an important accessory to the intellectual equipment of the international civil servant. Unless he can speak and write fluently, and with a sense for fine shades of meaning, one of the official languages of the institution which he serves, and can understand readily documents and conversation in two or three more of the main world languages, he will be gravely handicapped. A strong personality coupled with a rare gift of intuition may enable the exceptional man to overcome this handicap, but he will only be able to do so by exacting from others a contribution to common understanding which he cannot fully reciprocate, and if he ceased to be an altogether exceptional case the necessarily multilingual conduct of international business would inevitably break down. The policy-relevant international civil servant need not, however, be a master of a number of lan-

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languages if he receives the assistance which he is entitled to expect from specially qualified language officers. He can survive many a tyro's error of grammar and pronunciation if he has a sufficient familiarity with languages to overcome the psychological barriers which differences of speech can represent and knows from instinct or experience when not to trust his own understanding of a language which he has not fully mastered.

### *Permanent Service Needed*

EXPERIENCE has shown that a staff with such a combination of qualifications can only be secured if its hard core is a permanent international civil service. There have been divergent views regarding the extent to which such a service should be supplemented by officials detached for short periods from national services; but every competent investigation of the problem has reached the conclusion that the needs of world organizations cannot be adequately met by a miscellaneous collection of officials, temporarily associated together, but owing their appointments and their primary loyalties to the countries where they expect to continue their careers. It is significant that the only serious challenge offered at Geneva to the principle of an international service came from the governments which later combined to form the Axis and which were at all times in fundamental opposition to the development of any effective world organization. The general principles on the basis of which the Geneva staffs were built up have been formulated in three documents which represent the results of most elaborate enquiries made on behalf of the fifty or more nations participating in the League of Nations: the Balfour Report of 19 May 1920,<sup>1</sup> the Noblemaire Report of 17 May 1921,<sup>2</sup> and the Report of the Committee of Thirteen submitted to the

Eleventh Session of the Assembly in 1930.<sup>3</sup> These should be regarded as classics by all who may have any responsibility for the future development of world organization. The Balfour Report laid down at the outset the broad principle that "members of the Secretariat once appointed are no longer the servants of the country of which they were citizens, but become for the time being the servants only of the League of Nations. Their duties are not national but international." The Noblemaire Report afforded the basis on which conditions of employment in the international service were determined. The Report of the Committee of Thirteen, which led to the revision of the conditions of service in the light of ten years' experience and to the establishment of a pensions scheme (an essential part of any plan for a satisfactory permanent service), reaffirmed the general principle of the Balfour Report in the following terms:

The Committee is of opinion that, in the course of the last ten years, proof has been given over and over again that it is possible to reckon on the existence of a body of good international officials, loyal to the League and ready to discharge faithfully the obligations which they accepted on entering its service. It does not consider that the special interests of each country can best be secured by the existence, side by side in the Geneva organizations, of representatives of those interests who would naturally feel bound to defend them. That, in its judgment, is the business of the responsible delegates of governments and the representatives of national administrations; and, if it were undertaken by League officials, they would inevitably lose the impartiality which it is essential they should possess.<sup>4</sup>

With a view to reinforcing this principle the Assembly of the League decided in 1932 that all officials should be required to make on appointment a solemn declaration of international loyalty, undertaking "to exercise in all loyalty, discretion and conscience the functions entrusted" to them, to discharge their functions and regulate their

<sup>1</sup> *League of Nations Official Journal*, First Year, 1920, pp. 136-139.

<sup>2</sup> *Records of the Second Assembly, 1921, Meetings of the Committees*, I, 174-229.

<sup>3</sup> *Records of the Eleventh Ordinary Session of the Assembly, 1930, Minutes of the Fourth Committee*, pp. 290-370.

<sup>4</sup> *Records of the Eleventh Ordinary Session of the Assembly, Minutes of the Fourth Committee*, p. 295.



conduct with the interests of the League alone in view, and "not to seek or receive instructions from any Government or other authority external" to the League.<sup>1</sup> The Governing Body of the International Labor Office adopted the same system for the I.L.O. In a long perspective this principle of a central permanent international civil service, imperfectly as it was applied, may prove to be the outstanding contribution of the League of Nations to history. Sir Eric Drummond is entitled to lasting credit for having proceeded in 1919 and 1920 to build up a distinctive international service, in opposition to the view of those who favored staffing the League, as the 1919 Peace Conference was staffed, with officials temporarily detached from the national services of the Great Powers.<sup>2</sup> Any departure after the present war from the precedent set by the League could not fail to undermine the confidence of all the smaller states in any future international institutions<sup>3</sup> and would indeed be a step so altogether retrograde as to be, one may reasonably hope, entirely unthinkable.

During the immediately postwar period it will be essential, as it was in 1919, for world institutions to recruit their staffs from men whose previous experience has been primarily national and who in many cases will no doubt have become accustomed to acting as national members of the coordinating staffs at present discharging duties with international implications. This will make it important that the change in the character of their duties implied by their entering the service of postwar international organizations should be clearly defined in terms as unambiguous as those of Lord Balfour's report of 1920. It would indeed be desirable

to strengthen considerably the distinctively international character of the international services of the future. It is quite unfair that the whole burden of maintaining this international character should rest upon the members of the service and that governments should have no explicit obligations in the matter. Hereafter the obligation assumed by League officials by their declarations of loyalty should be paralleled by an obligation binding upon governments by treaty. There would also be some value in providing that appointments take effect by the making of the declaration of loyalty, which would thus become the whole basis of the appointment and not merely an obligation incidental to it. A rule disqualifying from appointment any candidate who seeks or receives diplomatic support for his claims from any government, on the analogy of the rules disqualifying candidates for certain public appointments if they canvass members of the appointing authority, would also be valuable.

#### *Safeguards for Appointments*

POLITICAL appointments made at the instance of the governments of particular countries always have a disintegrating influence upon a permanent international service and should be avoided at all costs. They can be avoided by vesting the authority to make appointments in the chief executive of a world institution only if he is in a sufficiently strong position to be able to resist political pressure. The nature of his duties requires him to negotiate constantly with governments regarding a wide variety of subjects, and he must constantly seek their support in order to carry out the policies for the promotion of which he has been made responsible. It is therefore desirable that there should be safeguards which are independent of the strength of character of any one individual. Furthermore, the harassed administrator is not necessarily the ideal judge of candidates who seek appointment to a permanent service. He is all too apt to

<sup>1</sup> *Records of the Thirteenth Ordinary Session of the Assembly, Plenary Meetings, Text of the Debates*, pp. 97, 186.

<sup>2</sup> For Sir Eric's own account of the problem see "The Secretariat of the League of Nations," 9 *Public Administration* 228-240 (1931). Regarding the International Labor Office, see Harold Butler, "Some Problems of an International Civil Service," 10 *Public Administration* 376-387 (1932).

<sup>3</sup> Regarding this attitude see C. J. Hambro, *How to Win the Peace* (Philadelphia, 1942), Chapter 18, "International Loyalty," pp. 240-251.



appoint whoever chances to be available on the spot, and he too rarely has either the leisure or the inclination to scour the world for the right man. The ideal candidate normally has other opportunities open to him, and, unless he comes from a country where perpetual changes of post by administrators and professional men is part of the national tradition, he will be available only if offered a firm appointment for a substantial period. It is altogether exceptional for him to be lingering at the door when a vacancy occurs. It follows that the recruitment of staff, except in cases in which it is desirable to fill the highest posts from outside the service, should not normally involve the responsibility of the senior officers entrusted with the direction of general policy, whose energies should be wholly absorbed by their own proper functions. If they attempt to deal with more than a small proportion of staff appointments, they are almost bound to do so in an intermittent and unsatisfactory fashion and thereby run grave risk of seriously impairing the morale of the service. There is a further danger: if the administrative officer responsible for appointments lacks flair and judgment over a decade, an international service may find that it lacks trained men of the required caliber at some critical juncture in its affairs. Here again, no world institution which aspires to permanence can safely entrust its future to accidents of individual personality.

The problems involved are, however, of great complexity. The qualifications required vary from one institution to another, and there are considerable variations within particular institutions. During the early stages of the growth of any world institution, when guts and convictions count for more than formal qualifications, there ought to be considerable freedom of experiment in staffing as in other respects. It would nevertheless seem desirable that, subject to such exceptions and adaptations as the needs of particular institutions might require, new appointments to international services should normally be made after consultation

with an appointment authority which should have the power to formulate standards of qualification for candidates for the international service, or a wide range of grades thereof, and should actively seek out qualified candidates. The formulation of appropriate standards of qualification is particularly difficult in the case of an international service, which must recruit candidates with a wide variety of national backgrounds. Except for appointments to linguistic and clerical grades no examination system is likely to be satisfactory, but it should be possible to build up recognized standards of qualification for the main areas from which appointments are made. For the application of these standards it will be necessary to rely on competitions based on *curricula vitae*, such as were instituted by the Secretariat of the League of Nations and the International Labor Office for certain appointments during the interwar period. The problem is so important that it should receive exhaustive consideration on the basis of past experience at an early stage in the planning of future world institutions.

#### *Conditions of Service*

AMONG the more detailed questions regarding conditions of service which should be considered at a relatively early stage is that of salary scales. A world organization should never rely mainly upon its salary scales to attract men of first class abilities, but these scales should enable such men to enter its service without private means, to provide for the maintenance of their families and the education of their children in the manner in which they might expect to be able to do in national careers, and to move freely without financial embarrassment in a wide range of income groups. The objective of salary policy should be to keep salary scales at a level which establishes and does not impair the independence and prestige of the service. So far as the complexities of international life allow, salary scales should make it pos-

sible to maintain a permanent service of first class caliber despite the temptations which national opportunities will always offer to men with a wide international experience, without placing the official in a position in which he will hesitate to resign on grounds of principle because he cannot hope to earn a comparable salary elsewhere, or in an unduly favorable position in relation to national officials with comparable responsibilities, allowing for the special conditions of international service.

Proper grading and a selective promotion policy are essential for the effective application of these criteria. Much of the difficulty of applying them arises from the complexities of an international service. Grading and promotion have been influenced too often by considerations of nationality rather than of merit; in this respect one may perhaps hope for an improvement in the future. Another difficulty is more likely to be permanent: that of the wide disparities in salary standards between the numerous countries from which an international staff will be recruited and with which they ought, subject to their overriding international loyalty, to retain the closest personal ties. Common administrative standards and salary scales are essential in an international service. Nationality discrimination in respect of such matters would create innumerable jealousies which would destroy the cohesiveness of the service. The problem was solved for the Geneva service after the last war by taking as the international standard that appropriate for the staff recruited from the participating country with the highest national standard of remuneration, which was then Great Britain. This implied that the criteria which have been indicated could be applied completely in relation to other countries. Special problems arise when staff are transferred to countries where living conditions and standards of remuneration differ radically from those at international headquarters. If such transfers should become increasingly common, as is desirable, sys-

tematized arrangements for such cases, analogous to those in force in foreign services for transfers between home and foreign duty, will be necessary.

The unusual combination of qualifications required by an international civil service can best be secured by recruiting members of the service from young men and women who will make it their life work. In periods of rapid expansion it will be impossible to apply this principle fully, as a seasoning of mature judgment which cannot be adequately supplied from within the service will be necessary, but the number of cases in which men of ripe years found it difficult during the interwar period to adapt themselves to the special conditions of international service underlines the importance of keeping the normal age of recruitment relatively low. This implies, however, that men who enter the service young must receive a thorough training in their duties at the outset and must be afforded throughout their careers opportunities to acquire the range of experience necessary for the discharge of the responsibilities of the higher posts. High entrance qualifications and adequate initial training will do little good if there are no effective arrangements for maintaining the vitality, freshness of outlook, and receptivity to new ideas of staffs which will always be prone to acquire the defects as well as the virtues of permanent officials. An office stool can be as demoralizing to an international as to a national bureaucrat. The problem of keeping international staffs in good fighting trim is no less difficult than that of selecting the right staffs.

#### *Personnel Agency Required*

THE first essential is that there should be proper establishment arrangements—in American terms, a proper personnel program—to ensure that the available staff members are utilized so as to employ and develop their capacities to the full. Personnel problems present a special degree of difficulty in international offices. The staffs

employed have always been small and will no doubt remain small in relation to those of national services, though one may reasonably hope that they will be much larger in the future than in the past. Considerations of language and nationality are often relevant to assignments to particular pieces of work. The interchangeability of staff is further reduced by the highly technical character of much of the work to be done. In these circumstances it is not surprising that no international office developed an adequate establishment policy, or appropriate machinery for personnel management, during the interwar period. Still less were there any adequate arrangements covering the international services as a whole. There can be little doubt that the excessive departmentalization of international staffs which was characteristic of the period was a mistake. There was some interchange of personnel between the Secretariat of the League of Nations, the International Labor Office, and the Registry of the Permanent Court of International Justice, but after the first few years this occurred mainly in the junior ranks and, apart from temporary loans of translating and stenographic staff, was never on an important scale. There was never any organized interchange of personnel between the League staffs and the staffs of other international bodies. If any serious attempt had been made to organize such interchanges two major difficulties would at once have been encountered—the jealous sense of independence of the non-League bodies and the lack of any pension arrangements covering all international staffs throughout their international service, whether with the League or with non-League bodies. In the postwar world there are likely to be numerous international bodies with specialized responsibilities. If they are effectively coordinated under the direction of some general world authority, that authority will presumably have responsibility for general personnel policy. Even in the absence of any such general world authority, it would still appear to be

desirable to build up, to the fullest extent practicable, a unified international civil service common to all the international organizations of the postwar world. The existence of such a service would facilitate transfers of staff with a view to the systematic broadening of the outlook and experience of officials and would encourage the best utilization of all the personnel available to all the international bodies.

Establishment arrangements alone can hardly make more than a dent upon the problem of ensuring that the permanent international staffs respond adequately to the changing challenges of strenuous times. Although an international center will normally be kept in daily contact with the world around by the constant coming and going of delegates, members of committees, journalists, students, and private visitors, this contact will rarely be adequate to maintain the perspective and resilience of officials posted there for long periods. Extensive travel at frequent intervals by all of its higher officials is essential to the effectiveness of any world organization. As Harold Butler has written,

no international institution can hope to perform its task adequately unless its higher officials acquire first-hand information as to conditions in all parts of the world . . . the most complete mastery of the documentation is utterly insufficient and may easily give rise to mistaken conclusions, unless it is supplemented by personal experience. Even a fleeting first-hand view affords a perspective that paper research can never give . . . To those who have lived for years in a country, a visit of a few days or weeks may seem incapable of teaching much, but, however short, it gives an insight into realities which cannot be attained by remaining in Geneva . . .

No country ever resembles one's imaginative picture of it derived from reading. It is impossible to understand the mentality of any people or their approach to social problems or the reasons for that approach, unless one has seen their way of living and talked with their leading personalities. Only by using the knowledge and sympathy thus acquired can [an international office] fulfil its duty of being a really international institution with a truly universal outlook.<sup>1</sup>

<sup>1</sup> *Problems of Industry in the East*. International Labor Office, Studies and Reports, Series B, No. 29 (1938), pp. iii, iv.



Globetrotting, however, predisposes one to superficial thinking unless the new impressions formed by rapid travel are sifted by a mind trained to assess their value by an intimate acquaintance with several contrasted cultures and social-economic backgrounds. Extended periods of residence in new centers from time to time should be an essential part of the normal life and training of the international official, just as it is an essential part of the normal life and training of the national foreign service officer. An official of an international institution should interrupt his service at headquarters from time to time, especially during the earlier part of his career, to work for the institution elsewhere.

The official who deals with matters in the large when working at headquarters, and therefore tends to think of problems in terms of principles, rules, and papers, should be made to deal with concrete problems of application during his spells of duty elsewhere. The development of technical assistance to national authorities by international staffs is increasing the number of opportunities of this kind and those opportunities should be exploited to the full. It has always been a weakness of the international civil servant that he tends to be a combination of the political negotiator, the diplomat, the technical specialist, and the academic student, with relatively little experience of or sense for practical administration, for which he has rarely been allowed to assume direct responsibility. As the administrative functions of world organizations expand the balance will be redressed, but pending such a development, which may be slow, it is even more necessary in international than in national administrative services that prolonged duty at headquarters should be interrupted by spells of field work. Arrangements whereby officials are detached from time to time for spells of work in the national services either of their own or of other countries may well be useful for this purpose; but in any such arrangements (as

distinguished from assistance to national authorities given on behalf of an international body) the greatest precautions should be taken to maintain the tradition and independent character of the international service.

Facilities equivalent to those of a senior staff college should also be provided for international officials. Whether these should take the form of such a college or of cooperation with Nuffield College, Oxford, and similar bodies designed to coordinate research in the social services with the needs of practical life, is a matter for consideration.

These arrangements for keeping international officials perpetually jumping through intellectual hoops should be rounded out by a system of sabbatical leave such as the Assembly of the League of Nations decided to introduce on grounds of principle in 1930 and decided to abandon on grounds of economy in 1931.

#### *Facilities and Immunities*

**E**VEN the most highly qualified international civil service would be gravely handicapped if its members did not enjoy certain facilities and immunities necessary for the effective discharge of their duties.

Passport and other travel facilities are highly important in view of the constant travel involved in effective international work. The Assembly of the League of Nations adopted resolutions contemplating the issue of national diplomatic passports and diplomatic visas to League officials traveling on official business, but this system is far from an ideal one, and certain countries have shown a marked reluctance to issue diplomatic passports and visas to international officials. It therefore seems desirable to institute an international travel document for the use of international officials traveling on official business and to give that document a status at least equivalent to that of a diplomatic passport.

Immunity from national jurisdiction, which has usually been accorded hitherto

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in the form of diplomatic privilege, also has an importance the nature of which is not always fully understood. Professor Percy Corbett, for instance, in his stimulating study *Post-War Worlds* (p. 173) questions the utility of diplomatic privileges for the officials of international and supranational institutions and writes that "international civil servants, like diplomatic agents, must be of a character that will require no exemption from the laws of any civilized country. If the law imposes a serious impediment upon the performance of an official's duty, that will normally be because he needs restraint and should not be occupying his post." This criticism is completely beside the point. The circumstances in which international immunity operates to exempt the person enjoying it from compliance with the law are altogether exceptional. In general, such immunity confers only exemption from legal process and not exemption from the obligation to obey the law, and when an immunity system is properly administered, the standard of respect for the law by persons enjoying immunity should be higher rather than lower than that of the ordinary citizen.

Immunity from jurisdiction is not a franchise to break the law, but a guarantee of complete independence from interference by national authorities with the discharge of official international duties. If the official acts of world authorities are open to question in national courts in proceedings against the officials of those authorities, every attempt to establish an effective world organization is liable to be completely nullified by the interference of national agencies. In the nature of things, however, a guarantee of independence from national control can never be complete unless it is unqualified. If a national court can assume jurisdiction over the private acts of an international official without a waiver of immunity by the international institution concerned, the determination of the official or private character of a particular act passes from international to national con-

trol. The position in a federal state in which federal officers are subject to local jurisdictions in respect of their private affairs is not a legitimate analogy, the function of international immunities being largely to protect international officials against the consequences of the nonexistence of anything in the nature of a federal government to which they can appeal for protection and support against any attempt to prevent the effective discharge of their official duties. In the case of international as in that of diplomatic immunities the only principle which affords real protection is that of complete immunity from jurisdiction. Qualifications to this principle are usual in the case of minor staff and are justified on grounds of practical convenience, but the principle should remain absolute in the case of all senior officers.

#### *A World Administrative Tribunal*

THERE are, however, well grounded objections to the permanent exemption of substantial numbers of international officials from any jurisdictional control of their official acts and from any such control of their private affairs except insofar as their immunities are waived by their administrative superiors. These objections are the more serious in that, whereas diplomatic officers enjoy no immunity from jurisdiction in their home states, international immunities can fulfill their purpose only if they operate in relation to all states; they may well indeed be of greater importance in relation to an official's country of origin than elsewhere.<sup>1</sup> It is not healthy that anyone should be above the law, especially if he is living in a community which may lack established standards. A psychology of privilege would be so incompatible with the kind of world public services which we require that adequate institutional checks upon the development of any such psychol-

<sup>1</sup> Regarding this point see Jacques Secretan, "The Independence Granted to Agents of the International Community in Their Relations with National Public Authorities," in *The British Yearbook of International Law*, Vol. XVI (London, 1935), pp. 56-78.

ogy are indispensable, and it is equally essential to the maintenance of a proper sense of public responsibility that international civil servants should be legally accountable for their official acts.

Since subjection to any national jurisdiction would be totally incompatible with the international character which international public services must possess, it is necessary to organize an international jurisdictional control over the official acts of international civil servants and any of their private affairs in respect of which the jurisdiction of an international authority may seem preferable to a waiver of immunity in favor of the jurisdiction of one state. The League of Nations established in 1927 an Administrative Tribunal with jurisdiction over complaints alleging the nonobservance of the conditions of appointment of its officials. A similar tribunal was established later by the International Institute of Agriculture. In the postwar world there should be a single World Administrative Tribunal which should exercise jurisdiction over such complaints. It should also be competent in cases in which some official act performed on behalf of an international institution is alleged to violate a private right; in cases in which international institutions are involved in legal relationships governed by municipal law, such as disputes relating to real estate, building contracts, printing contracts, and such matters; and in any cases involving the private affairs of officials in respect of which an international should be thought preferable to a national jurisdiction. Such a tribunal should have jurisdiction over all existing and future international institutions and their staffs. In the interest of a proper integration of the world judicial institutions of the future, the World Administrative Tribunal should have an organic relationship with the Permanent Court of International Justice. The Court might well be made responsible for the appointment of the members of the Tribunal and be competent to decide cases involving major

points of principle likely to have a far-reaching influence on the status and development of world institutions which are referred to it by the Tribunal.

### Finance

ANY proposals for building up adequate international staffs as a matter of long range policy necessarily imply expenditure on a relatively generous scale which will show concrete results only over extended periods. Larger staffs than were customary during the interwar period will probably be necessary in any case after the war. The volume of work to be done is likely to be greater, and less of it should be left undone for lack of staff than was too often the case during the twenties and thirties. But the staffs available for a given volume of work should also be larger. Sound long-term staff policies cannot be applied unless there are teams for every job, and no indispensable individuals who cannot be spared from the work immediately in hand. Higher education is always wasteful if its results are measured by any quantitative criterion, and the training of high grade international staffs is essentially an experiment in a branch of applied higher education which is of vital significance for the development of effective world organization. Effective world organization costs money. In world organization as in war the money costs are the smallest part of the costs involved in any large scale operations, but you can no more run world organizations successfully on the cheap than you can win total war on the cheap. A world organization whose financial resources depend on the whims of chance majorities in national-minded appropriation committees in several dozen countries will always be at best an adventure. There can be no adequate international civil service until the financial arrangements of world organizations are placed on a more satisfactory footing.<sup>1</sup>

<sup>1</sup> Regarding which see C. Wilfred Jenks, "Some Legal Aspects of the Financing of International Institutions," in *Transactions of the Grotius Society*, XXVIII, 87-132.

Even the most successful handling of all these problems will of course be of value only insofar as it contributes to the satisfactory solution of the political, economic, and social problems which constitute the challenge of tomorrow. These problems are of infinite complexity. Their solution will constitute a long term assignment. Precisely for that reason it is important that the world institutions of the future should be so staffed that they can make a maximum contribution toward meeting the

world's needs. It is men who make history, rather than constitutions, treaties, and rules of procedure. The present paper will have served its purpose if it stimulates further discussion of how the right men are to be enlisted for the job, given the training they will need to discharge with credit duties which will be onerous in the extreme, and developed into an international civil service whose tradition and experience will be a first class asset of a growing world community.

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# The Technique of Administrative Reporting

By EARL G. LATHAM

*Bureau of the Budget*

## I

MRS. Miniver could have had administrative reporting in mind in her admonition to "put down somewhere, too, everything you see or hear which will help later on to recapture the spirit of this tragic, marvelous, and eye-opening time: so that, having recaptured it, we can use it for better ends." In view of the fact that we started the war with seven million cubic feet of records in the City of Washington alone, it would seem to pile Pelion on Ossa to add to this great deposit. The distressing fact is, however, that much of this accumulation is of little value to operators looking into the records of experience for hints and suggestions about the solutions of the problem with which they are currently faced.

As early as 1940 search was made for records of administrative change in the war of 1917-1918, not that we were to reproduce the errors of that war, but that we might profit by its lessons. The administrative records of that war were frequently of small value because they were incomplete, did not cover current problems, inadequately reported the historical fact, or were improperly classified. One story has it that researchers started to wade through a collection of folders classified alphabetically, and found "Barbed Wire" and "Baruch" in juxtaposition, with nothing but a few newspaper clippings in the latter. One reason for the lack of adequate (not to be confused with numerous) records is the persistent view that records are merely the residual ash of operations. Opposed to this concept is the view which is central to the discussion of this paper, namely, that adequate records are the machine tools of management. In fact, some

have gone so far as to suggest that the success of the blitzkrieg in France was due to the fact that the Germans entered the war with a better filing system than the French.

The 1917 meeting of the American Historical Association called attention to the need for the proper keeping of records of war administration, especially the records of the newly created executive agencies, but slight heed was paid to the suggestion. Some agencies late in 1918 took steps for the preservation and arrangement of their records, and some thought was given to the writing of histories of administrative change and accomplishment; but the war ended before these plans could be carried very far. There was some result from this activity, however, for brief administrative histories originating in the divisions of the War Industries Board were used in the preparation of Bernard Baruch's *American Industry in the War, A Report of the War Industries Board*.

At the outbreak of war in 1939 the British gave thought to the preparation of military and civilian histories, even as they were organizing to fight off the blitz. Standard instructions concerning the keeping of records were already in force in the Army, the Admiralty, and the Royal Air Force. The accumulation of records was supplemented by the writing of "first narratives," based in part upon the collected records and in part upon the immediate impressions and accounts of participants in military operations. Work has already been started on narratives of the military campaigns in Norway and the Lowlands.

Although standard instructions provided for the preparation of histories of the military side of the war, there were no similar ar-



arrangements for the civilian side of the war. This omission was repaired when the Secretary of the War Cabinet in September, 1939, invited the civil agencies to institute and maintain war diaries as chronicles of policy decision and administrative action. These failed to produce a comprehensive enough body of data, so a more systematic program was undertaken. In the autumn of 1941, Professor W. E. Hancock of Birmingham University was appointed to coordinate the preparation of histories of the civil departments in the war. After some investigation of technique, it was decided to appoint "narrators" to prepare "first narratives" of the development of policy and administrative action since 1939. Narrators accordingly were appointed to several ministries, including Labour, Health, Food, War Transport, Economic Warfare, and the Board of Trade. The Supply Ministries were treated as a group, and special arrangements were made for the narration of the medical history of the war in the Ministry of Health and the Armed Services and for the narration of the diplomatic history. All the civilian historical activity is counseled by an Advisory Historical Committee composed of members of historical faculties in the universities.

In the United States existing machinery was available in the National Archives for the spreading of the gospel of good records administration. The Archives, however, was not equipped to handle the multitudinous phases of current administrative reporting, and steps were taken to fill the lack. After many preliminary conversations and exchanges of view among public officials, officers of professional societies, and members of university faculties, a project for the chronicling of instant administrative history was set up in the Division of Administrative Management of the Bureau of the Budget. This project had the blessing of the President in the form of a letter to the Director of the Bureau which said that the war records project might be helpful "in planning current improvements in administration in addition to its main objective of preserving for

those who come after us an accurate and objective account of our present experience." The Bureau project aimed at two objectives: (1) the stimulation of records keeping by the major war agencies; (2) current analysis of administrative problems arising within the chief policy fields of the war effort and the collection of records of organizational developments.

For the sake of convenience and clarity of discussion, the combined functions of planning current improvements in administration, the preservation of accurate and objective accounts of our experience, and the current analysis of administrative problems arising within the chief policy fields of the war can be referred to as "administrative reporting." This is not to be confused with internal reporting, which is the communicative function within the hierarchy of an administrative agency. Administrative reporting is the instant history of policy and operations.

## II

AS IN following the famous recipe for rabbit stew, it is first necessary to catch the agency. The military services do not blanch at the words "history," "archives," and "records" in connection with projects for administrative reporting. In the present war, as in the last one, the War Department, the Navy Department, and the Marines have launched projects for administrative reporting which are headed by officers of senior rank, well equipped with staff. Some of the civilian agencies, however, are more reluctant. Somehow the preservation and analysis of records of war administration is superficially regarded as the occupation of Venerable Bedes, with no relation to current operations. There is no conflict, however, between administrative reporting and the busy prosecution of the war. Indeed, reporting, if skillfully done, promotes successful administration. Some of the civilian agencies, then, have to be convinced of the possibilities of administrative reporting projects. The degree of importance attached to such a project

varies, but the value assigned is reflected in the level in the administrative hierarchy at which it is set up.

The most effective level can be determined in terms of the character of work to be performed. A record of administrative change requires a certain degree of selection. The selective principle should be the collection of that information which is of value to operators. This is admittedly only a rough criterion, but it operates to exclude data which is of primary interest to social historians, or to legal theorists, or to economists. It includes the steps by which policy is formulated, for an understanding of this will aid the operators to achieve the purposes for which the administrative organization is created. It includes some account of the field context within which operations take place, for in a very real sense the record of administrative change is the story of the breakdown of operations. For example, in the field of manpower and labor market administration it is desirable to know the causes of turnover. Without this knowledge, area stabilization plans are likely to be ineffective. The failure of area stabilization plans may produce changes in the organization of the regional and area offices of the War Manpower Commission to service the administration of some substitute program. The competition of recruiting campaigns by the armed services, private employers, and farm organizations produces such confusion in the field that it becomes necessary to coordinate the administrative control of these activities and even to consolidate them in a simplified administrative authority.

The administrative reporter, therefore, must be at a place in the administrative hierarchy which is close enough to operations to enable him to understand the problems of the field and high enough to enable him to observe the formulation of general administrative policy. This would indicate that, in the ordinary case, an administrative history unit should be lodged at the second or third level. The office of an executive director is a likely spot. It is generally de-

sirable to give the unit an independent existence rather than to attach it to some existing unit where it may become confused and intermingled with other functions. In the Services of Supply, for example, a historical unit is located in the control division. In the War Production Board a historical unit is located in the office of the executive secretary. The Office of Price Administration by administrative order of January 27, 1943, provided for the institution of a historical records project under a full time director. This order combines three factors the absence of which could interfere with and handicap the functioning of any such project. First, the project is located at the third level of the hierarchy, which means that the director is close enough to the top to see the organization as a whole and not so far from the operators that he loses touch with their problems. Second, it is given an independent existence so that its function never becomes confused with that of mere organizational planning, program review, or administrative procedures. Third, the usefulness of administrative reporting as a managerial tool is enhanced by the formalization of the project by administrative order. The relations between the director and the other units of the Office of Price Administration are clearly defined, and provision is made for the full utilization of the resources of the group employed in the project.

### III

THE personnel specifications for staffing such an enterprise are conditioned by the character and form which the project takes, and these may differ from agency to agency. Some agencies do not care to invest more than \$3,200 in an administrative reporting or historical project. Recruiting for the top position at this level should be aimed at a person with a background in public administration, preferably of the graduate school type. Such a person will be more likely to have a generalized approach to administration than will an administrative functionary whose background is one of experience.

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Then again, such a person usually has some writing skill which will be useful in the preparation of reports and narratives. Research experience or even journalistic training is sometimes an acceptable substitute, however. The research experience should preferably be in public administration and the journalistic training in the field of public affairs; mere practice in the reporting of fires and arrests is not a convertible skill. If the agency is primarily interested in the accumulation of records, it may be possible to recruit someone with library training, although this should be coupled with evidence of writing ability. Archives experience is an obvious background and one which would fit in well with a project of such modest scope as the \$3,200 price would indicate.

A more imaginative and comprehensive project, one which will use administrative reporting as an effective tool of management, enlarges the scope of selection of personnel. The two minimum qualifications for the top position or positions in this kind of project, as in the more modest sort, are knowledge of public administration and ability to write. The comprehensive project, however, requires a more versatile and imaginative analytical capacity than does the project involving the mere accumulation and classification of records. There is a creative aspect to records administration (as will be discussed below) which gives scope to the abilities of the best equipped personnel. There is no single professional background which alone must be present, although some are better designed for the task than others. Those with a background of teaching and research in public administration are good material if they have an awareness of the importance of the conflict of personalities in public administration and do not regard it as a trivial deviation from the fixed patterns into which they sometimes press their principles. Belief in behaviorism is likely to be a better protection against shock than uncritical devotion to the science of which they are professors.

The professors of public administration,

however, are but one source of talent for such a project. Men with a background in the editorial side of journalism, with a selective respect for the written word and an appreciation of the importance of good records, will qualify admirably. Lawyers are less satisfactory because their training is polemic. The frame of reference within which they habitually operate is a rhetorical one, and administrative reporting is more than juggling with words. In such a position, the lawyer's great virtue is skill in orderly and organized presentation; but this is overbalanced by a propensity to confuse "ought" with "is." The professional civil servant of what the English call the administrative class has a useful background which may be utilized in some cases. Of course, the term "professional civil servant" can include many careers from that of the forest ranger to that of the diplomat. One who has performed work of administrative analysis and who has reached the senior, principal, or chief levels is well qualified for an administrative reporting project. Even within this classification, however, there is room for selection. A certain kind of administrative analysis devotes its time and attention to the use of government automobiles, the charting of the flow of papers around an organization, or the utilization of office space. The desirable kind of experience in administrative analysis is that which reaches a higher stratum of administrative action. Professional economists may be used, but some are less satisfactory than others. The preferable kind is what an older generation called a "political economist," who should at least be cognizant of the importance of political institutions. Even then he is more likely to succeed if he is lodged in agencies like the Treasury or the Federal Reserve Board, where his knowledge of the vocabulary and thought patterns of the administrators will aid his understanding of the forces which produce administrative change.

One other source of top personnel remains to be mentioned. This is the professional academic historian. The professional his-



torian brings to his tasks qualifications of a high order of importance. These are usually some writing ability, a sense of the development of events, patience in the investigation of detail, and an awareness of the desirability of preserving good records of historical change. However, the universal method of history undergoes mutations influenced by the materials to which the method is applied. Without becoming involved in the perennial dispute over technique and subject, it is enough to point out that the university expert on the history of Indic cultures is not thereby qualified to write the history of administrative change in the development of labor market controls. History may be a unity in the sense of Pope's aphorism about the proper study of mankind, but historians necessarily develop specialized subject matter interests. In the absence of specialized administrative historians, the most feasible approach to this problem of staffing is to teach historical method to people of the administrative analyst type, rather than to teach administrative analysis to historians.

The organization of the staff of the administrative reporter will depend, again, upon the conception which the authorizers of the project have of it. Personnel appointed merely to select and collect records will probably need nothing more than a stenographer-file clerk to keep the files in shape and to take dictation as first narratives may be prepared. Indeed, in some instances the administrative historian will do all the selecting, collecting, and filing himself and share a stenographer with someone else when writing is to be done. Much can be done, however, with a staff of five, including the chief of the project. Such a staff may include the chief, an assistant, a writer, a research secretary, and a stenographer. The chief will be responsible for the planning and development of the work. He will make primary contacts with division heads, to be followed by his assistant to get the story after the initial approach has been made. The chief will also keep in touch with the organization and program-planning people of the agency so

as to supply them with such historical materials as they may wish to use. He will have access to the top administrators in the agency and will sit in as an observer (or participant) in the policy deliberations of the organization. He will divide the work of the unit between his assistant and himself in such a way as to leave him as much freedom as possible to move around in the agency. He will be responsible for all the production of the unit and, in collaboration with his assistant, will prepare narratives on the evolution of administrative change. The writer employed by the unit can be a person with newspaper experience, hired for the express and exclusive purpose of writing spot stories at the direction of the chief. Since adequate files are necessary to the work of such an organization, the research secretary is an indispensable person. It is this functionary who classifies all the material coming into the unit from the other parts of the agency. It will be necessary from time to time to seek out and obtain record materials which are not quickly and readily available. These may be memoranda in the files of other agencies, background material which requires consultation of newspapers, congressional debates and hearings, and periodicals, or the reports of public opinion services. For these activities research experience is valuable.

A historical unit placed in the office of an executive director, or in some other appropriately high level, will have another function to perform in addition to the normal operations of the unit. This is a function of advice and visitation to the divisions and other subordinate units of the agency. Good records keeping at the top level of an agency depends in large part upon good records keeping in the divisions and branches. It is one of the responsibilities of the chief of the historical unit, then, to persuade and guide the divisions and branches in the ways of orderly records administration and to stimulate the creation of small historical units within the administrative structure. This function is merely one of advice, however, and the chief of the unit should not accept

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supervisory responsibility for the operations of the subordinate records files. The responsibility for the good maintenance of these records should rest upon the shoulders of those who will suffer from the consequences of bad records.

#### IV

WITH his organization established and "tooled up," the chief of a historical unit is ready to go into production. But what is he producing? What is the focus of his group's activity? They are gathered together to make a record of administrative change; but what is "administrative change," and what evidence must one collect to show it? Obviously, administrative change is not merely the chronology of organization, any more than the history of the American Revolution is the hyphenated date 1776-1783. To fall back upon biological metaphor—a traditional gambit since the time of John of Salisbury at least—the administrative agency is like a person, and its chronicle like his life story. Not every fact and detail in a human biography is relevant to the story of how the individual achieves his objectives. But it is clear that every relevant element in this chronicle of his success or failure is a legitimate part of the story. Similarly, administrative history is the story of the life of an agency, and particularly of the organizational, personnel, fiscal, and administrative control aspects of that life. The details of line operations are relevant to the extent that breakdowns of operations contribute to administrative changes to make them more effective. The methods by which policy is formulated are as much a part of the chronicle as the process by which a man makes up his mind. All such matters bear upon the effectiveness of a group of people organized in terms of jurisdictions and patterns of control to achieve some common purpose, and together they make up the story of administrative change.

What are the memorabilia of administrative change? An obvious source is the body of archival materials which relate to the agency. Such are the statutes, executive

orders, administrative orders, staff instructions, manuals of operations, formal policy statements, and (beloved word) directives. In addition, there are the memoranda without which administrators sometimes find it impossible to communicate with one another. These are the natural efflux of administration. No special effort is required to lodge them in the files, once the originating units have become accustomed to route them to the historical unit. Not all of these, by any means, will be relevant to the story of administrative change within the agency. Periodic sifting is necessary to winnow out the materials which might have been important, but did not develop that way.

Much that influences the development of policy and administrative change, however, never makes its way into the formal records. Notes or minutes are frequently taken at staff meetings and mimeographed for the agency, but there are many more informal conferences which never are reported. The staff of a historical unit will miss much of the business of administration if it neglects to acquire and maintain a record of these conferences. If arrangements to do so can be made, records should also be kept of telephone conversations. Modern technology has aided the making and keeping of adequate records in countless ways, but it has also nullified the need for much writing which would once have found its way into the files. The keeping of records of telephone conversations is a matter which requires for its success the utmost discretion and understanding between officers and employees of the historical unit and the operating officials of the agency. Some administrators make it a practice to have a secretary listen to and transcribe such conversations for their own use. They are valuable historical material, illumining many an otherwise dark page in the record of events. A useful way of keeping track of the activities of busy officials is to persuade them to keep office diaries. Officials sometimes think that they are too busy to devote the time necessary to keep a diary. Those who have this reaction almost in-

variably think of a diary as a book of the soul's secrets, written a page every night before going to bed. Actually, the keeping of an office diary is very simple. All that the official needs to do is to spend the first ten or fifteen minutes of each morning in dictating to a stenographer an account of his activities of the previous day. A good stenographer will make a cumulative day book out of these morning accounts, with a perpetual index for easy reference. One other method of obtaining an account of an administrative official's activities is to have him spend about an hour each week in talking with one of the officers of the historical unit for the record. This can be done as an ordinary conversation in which the secretary plays the part of a silent Boswell. This method produces good results if there is freedom of expression, and an accumulation of the records of these weekly meetings affords an interesting résumé of events as they have affected the administrative official.

Perhaps the most important part of a historical officer's function is the creation of historical materials. In one sense, the recording of events which would otherwise go unrecorded is the creation of historical materials, but there is another sense in which the word "creation" may be applied. The observations and the interpretations of the historical officer himself about the people he meets, the things he sees and hears, and the events through which he moves are valuable. Indeed, the historical officer has an unparalleled opportunity for such observation and reflection. He has a maximum of opportunity with no official responsibility for the success or failure of the work of the agency. What Stuart Chase has called a "high energy" society has made the writing of diaries for most people a preoccupation for the leisure time which never seems to be available, but the historical officer has no reason for not being able to add to the literature of administrative change. That is his purpose of being.

One special function of the historical officer is the service he can perform as a kind

of administrative draftsman. Not every agency is so organized that a group chief and his subordinates need to reduce their collective judgments about programs or policy to a collective text for the scrutiny of other officials in the same hierarchy, or outside it. This may occur, however, when agency officials are required to testify before congressional committees or before the Bureau of the Budget. The preparation of documents or statements for such expeditions is useful and informative to the historical officer, for the collection of the basic data frequently affords an opportunity to scrutinize and analyze material otherwise inaccessible. At the same time, the preparation of such documents sometimes makes it possible for the historical officer or administrative reporter to participate in the determination of policy. The injection of the historical officer into policy deliberations may seem to be questionable, inasmuch as it may make him a partisan, thereby depriving him of the advantage of detachment and remoteness. There is no necessary conflict, however, if his role is that of consultant and not that of operator. With the detachment which his office affords, he can testify out of his observations and experience with the agency. Indeed, it is prudent on frequent occasions for the executive officials of the agency to consult the custodian of the vital records and to draw him into policy discussions. Reports thus drawn from time to time from the evidence of the records may have a wholesome and tempering effect upon the exercise of official discretion.

In a mature agency with a comprehensive historical project, historical officers who have proved their value to the agency may develop a useful program survey and review service. This is one area in which a historical unit can aid in the performance of management functions. Program appraisal is sometimes undertaken by the program planning and review units of administrative agencies, but this appraisal is frequently on a spot-check basis. The particular value of the program appraisal which historical officers may

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perform is that it is made by a group within the agency which has had no vested interest in the formulation of the programs appraised. The historical unit of an agency would not be a council of revision, nor would it have any authority to nullify any action of the officials of the agency. It would, however, be in a position to bring an unbiased and impartial judgment to the consideration of the efficacy of programs. Even if it were deprived of this function of judgment, its analysis of the trends of program-making, factual and descriptive, would enable the reviewing officials to make judgments. A peculiar merit of this activity would be the possibility of relating apparently diverse parts of the total programs of an agency to the central stream of tendency. The perspective which deliberate appraisal can bring to bear upon the evolution of programs and institutions within an agency is frequently not within the capacities or time of busy officials, burdened with the responsibilities of daily detail.

The function of program appraisal is not one which historical officers will be able to assume immediately upon the creation of a project. It is one to which the work of systematic records administration lends itself, to be sure, but only after the project has become a functioning part of the activities of the agency. To stress this aspect of the work of historical units at the outset is to invite the same reactions which might attend the appointment of a censor. Good will and confidence need to be developed before the unique values of program appraisal, from the historical point of view, can be utilized. It can make a significant contribution to the work of an agency if this good will and confidence are developed.

## V

UP TO this point the discussion has involved the creation and administration of an intra-agency project. There is another aspect of administrative change, however, which requires a different institutional arrangement and a different technique of

operation. The location of historical units in specific agencies and the appointment of administrative reporters to them enable the officers and employees of such a project to "get the story" of the agency. To some extent it enables them to make a record of change in inter-agency relationships, but from one point of view only. A comprehensive record of administrative changes involving inter-agency relationships demands that the observer be located at some point from which the flux of change can be broadly surveyed. The jurisdiction of the reporter will not then be confined to one agency but will extend to a collection of agencies operating within a general field of policy decision. Obvious examples are wages stabilization, anti-inflation programs, manpower recruitment and utilization programs, informational activities, and the like. Many agencies of the federal government are engaged in activities in these fields, and the coordination of their programs and their relations with one another are matters of major concern.

Insofar as these relations and this coordination are the concern of the agencies themselves, the record of their parallel activity can be obtained from within the agencies. Complete coverage of these relationships would, of course, require the establishment of historical projects in each of the institutions involved. Much of this inter-agency commerce, however, takes place in a triangular way, with the apex located in the Executive Office of the President. The coverage of these relationships cannot be made from within the operating agencies; it must be made from a point of vantage outside either of them. This point may be located either in some independent structure like a historical commission or in one of the bureaus in the Executive Office of the President, the most likely of which is the Bureau of the Budget. (As has been indicated, the latter is already being tried.) The choice of one or the other of these places should be determined by factors of technique of operation. In general, it is possible to distinguish three elements of technique, which may be



employed singly or in combination. These are analysis of records, interview, and association with staff operations.

If the analysis of records is to be the method, either the Bureau of the Budget or some outside historical commission may be used. The only imperative is that the records be available in some regular fashion. In some cases it will be possible to have copies of written materials sent from the agencies. It is more likely, however, that the administrative reporter will have to make frequent visits to consult the records on file and to supplement this activity by interview. The merit of this approach is that it enables the administrative reporter to circulate among the sources of information as the story leads him. This method is probably the most difficult of all to employ because an outside "historical commission" cannot have that closeness to operations and continuity of observation which location within the agencies will afford. Good will for the commission and its purpose must be carefully cultivated before it can be effective. It is only in the daydreams of the impractical that busy officials allow strangers to roam freely through their agencies for the purpose of obtaining information, even for so worthy an end as the enlightenment of posterity. Some of this resistance can be overcome by the appointment of men of national and international reputation to the staff of the historical commission. Their prestige will undoubtedly give them an entrée denied to more humble and pedestrian toilers. Their value, however, lies less in the gathering of significant materials of instant history than in the writing of them after they have been collected.

The interview technique is one which fits well into the work of a historical commission created independent of any governmental agency. It affords a maximum of free movement and makes it possible for the interviewer to develop his sequence of stories in such a way as to reveal the development of events. It is likely to be second-hand material, however, with a minimum of oppor-

tunity for the interviewer to make personal observations. He can well report what people said about themselves and others and what they thought they did; but he cannot get the same insight into the details of the administrative process which an eye-witness observer enjoys. Success with the pure interview technique depends upon a sizeable list of good and reliable sources of information which can be tapped at regular intervals. Since it usually takes considerable time to develop this, and since it is unlikely that the mere auspices of a historical commission would be sufficiently impressive to guarantee an entrée, the interviewer is best if he is a man who commands some prestige in his own right. His actual method of operation will depend upon his personal tastes and feelings. Convivial souls will do their interviewing at meal-times, when, according to common opinion, men's inhibitions loosen and conversation flows. Others, like the ubiquitous inquiring reporter, will take their administrative history where they find it. Most often they will find it in the offices of busy men; but there is information to be obtained at meetings, on trains, in taxicabs and elevators. The gossip columnists with their rounds to make are most like the practitioners of the interview method. Like his humbler brethren in the newspaper calling, the historical interviewer runs the risk of accumulating all the latest gossip and all the choicest rumors. Some of this is revealing; but posterity is not likely to be enlightened by the complete record of "who hates whom," unless the antagonists are highly enough placed to make their personal feelings count in the affairs of men. Above all, the historical interviewer will do well to heed the warning of Sir Walter Raleigh, who once said that "whosoever in writing a modern history shall follow truth too near the heels, it may haply strike out his teeth."

The third technique is association with staff operations. This method fits well into the work of the Bureau of the Budget. Since the reorganization of 1938 the work of the Bureau has been conducted through its five

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divisions: estimates, administrative management, statistical standards, legislative reference, and fiscal. The division in most continuous contact with the agencies is the Estimates Division, of course, since it provides budgetary services on a close operating basis with the entire federal structure. From the point of view of the opportunity for observing the evolution of administrative change as it becomes translated into budgetary equivalents, the Estimates Division is the best place. But the Bureau of the Budget has other functions besides those of accounting, and indeed some sections of the Estimates Division have other functions than the monetary ones. Two of the groups in the Estimates Division provide management services as well as budgetary services for the agencies. These are Group VII and the Emergency Organizations Section. The first handles almost all the labor agencies of the federal government, established and emergency. The second handles the Office of Price Administration, the War Production Board, the Office of Defense Transportation, the Office of Economic Stabilization, the Offices of War Information, Censorship, and Civilian Defense, the Board of Economic Warfare, the Office of Lend-Lease Administration, the Office of the Coordinator of Inter-American Affairs, and the Office of Strategic Services. These two units of the Estimates Division service their agencies with money and management advice and normally help to process the passage of executive orders through the Bureau when their agencies are involved. Administrative change in these agencies inevitably finds its way through these Bureau units at some time or other. It should be kept in mind, however, that assignment to either of these sections of the Bureau is no substitute for the appointment of historical officers in the agencies themselves. The Bureau is merely a vantage point for the observation of the special kind of relation already described as "triangular."

There are many examples of the kind of change which can be observed in the two sections mentioned. In the manpower field

(under the jurisdiction of Group VII) the whole story of the development of the War Manpower Commission, from the promulgation of the executive order which created it in April, 1942, to the latest interpretation of selective service policy, can be observed. This takes in such developments on the way as the transfer of the Employment Service to the Commission in September, 1942, the consolidation of the Fair Employment Practice Committee with the Commission, the development of the headquarters and the field organizations of the Commission, and the preparation and processing of the executive order which transferred the Selective Service System to the Commission in December, 1942. From this vantage point it is also possible to observe the very rapid change which has taken place in the War Production Board, going back to the creation of the National Defense Advisory Commission and proceeding through the stages of the Office of Production Management, the Supply Priorities and Allocations Board, and the post-Pearl Harbor evolution which followed. As an example of the kind of change which may be observed in the second section of the Estimates Division, the Office of Economic Stabilization may be cited. This is a small organization, but important stories involving it developed in the Emergency Organizations Section. Not the least of these was the writing of the executive order which set up the Office of Economic Stabilization. The Office is a good example of the kind of executive office whose work cuts across agency lines. The orders of the Office to the War Labor Board, the National Mediation Board, the Department of Agriculture, and the Bureau of Internal Revenue are vivid examples of inter-agency relationships seen best from the apex of the presidential triangle.

In developing a working association with staff operations at the level of the Executive Office of the President, much depends upon the willingness of the functioning units of the Bureau to utilize the services of the administrative reporter without reservation.

Without this willingness, the relation can become an unproductive one for both parties to it. The personality and character of the administrative reporter himself have much to do with the success of the joint enterprise, however. The work requires qualities of discretion and tact without which it will fail. The disclosure of information must be carefully regulated. In this connection a major question is the extent to which information should be circulated within the Bureau. There is no question as to the relations which should obtain between the administrative reporter and the agencies. He should channel his contacts with the agencies through the staff unit of the Bureau to which he is assigned. If he develops independent lines of contact with the agencies, he is likely to find himself at cross purposes with the staff unit from which he moves. Moreover, it unnecessarily complicates the life of the agency if it has to deal with several Bureau officials. From the point of view of the administrative reporter, it will become obvious in a relatively short time that a channelized relation with the agency will be more productive of information than a separate connection. The officials of the agency will not tell him more if he is not identified with the group with which they habitually work in the Bureau. In fact, they are likely to tell him less.

This means that the administrative reporter pools his information with the staff unit to which he is assigned. This is no violation of confidence with the agencies because, as has been indicated, the administrative reporter is not likely to get much information except as a member of the staff. Conversely, once his staff identification is established, the information he obtains will be part of the staff information. Here, more clearly than ever, the management value of administrative reporting becomes evident. The evolution of administrative change becomes a base line in terms of which budget justifications become especially meaningful. Program appraisal, especially of field operations, aids in the consideration of organiza-

tional reforms. Budget and management people too often work upon the particularistic details of agency existence without knowledge of the contours of the administrative groups which they serve. The administrative reporter helps to supply the universals within which the particulars fit.

Another aspect of the work of the administrative reporter increases in value because of his location in the Bureau of the Budget. This is the utilization of his writing skill. He can serve his staff group as a secretary in the British sense. In countless ways he articulates the policies and positions of the group. It may be an assignment to prepare a document representing group opinion on matters of general Bureau policy. It may be the preparation of a memorandum reflecting the collective views of the unit heads within the group. It may be the preparation of background materials on problems in which the group is currently interested. In this respect the administrative reporter serves as an essay writer on a variety of topics. Another useful function for him is the preparation of field-trip reports. When members of the group staff return from trips to the field, they make reports to the group chief or to the staff in regular meetings. The administrative reporter may work up these oral reports in written form, submit them to the field observers for comment, addition, and correction, and build up by these means a file of personal observations in the field.

There is one other service which the administrative reporter can perform. This is the planning and conduct of "educational" staff meetings. At these meetings visitors from the outside, unconnected with any agency, can develop a discussion of background information within the general field of the group's operating interests. Examples in the manpower-labor field would be the philosophy of labor participation in the administration of the war effort, the technique of labor-management cooperation, and the like. A second kind of staff meeting is devoted to the education of the members of the group in their own methods of opera-

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tion. This is really a project in the development of case materials of public administration and affords an opportunity for self-criticism which can be turned to good use. It also supplies the administrative reporter with a flow of materials on a problem basis which helps to round out the continuity of the administrative changes which occur.

The value to the reporter of close conjunction with operations can be enhanced if to it there is added close conjunction with an operator. If good working relationships can be developed with the head of the group, as well as with the group itself, opportunities are afforded for close observation of events in the making. Functioning within a high stratum of policy formulation, the group head makes friends and influences people who influence policy. The administrative reporter at the level of the Executive Office of the President is able to observe this activity without reliance upon documents, if he has a close working relation with the group head. This relation is valuable not only in the extra facility it affords in meeting people in the Executive Office but in the increased ease with which it becomes possible to move around the agencies themselves. There is no difficulty in meeting the number two and number three people in the agency under such auspices.

In the administrative reporting of triangular relationships heading up into the Executive Office of the President, one condition is imposed which does not prevail in the more continuous reporting of the administrative evolution of established and regularly functioning agencies. In the former the administrative reporter proceeds upon what may be described as a problem basis. That is to say, the kind of difficulty which comes to the attention of the Executive Office is that of inter-agency problems which cannot be resolved in any other way than through the intervention of a third party highly enough placed to make its recommendations acceptable against the will of the other parties, if need be. There are certain continuing problems, of course, and

their solution may become a matter of months. The whole life of the War Production Board to date has been of this sort. Executive orders which relate to the coordination of the operations of two or more agencies are of this sort also. The administrative reporter may not have a continuous story about any agency or agencies when he is done, but he will have complete stories about important aspects of inter-agency relationship which in themselves will be valuable historical materials for the future.

## VI

SAMUEL Johnson once drew a parallel between women preachers and dogs that walked on their hind legs; he marveled not that they performed well, but that they performed at all. A useless undertaking does not acquire value merely because it is performed well. What is the justification for the employment of administrative reporting as a tool of administration? Briefly, it is that close reporting of what happens in an organization is a necessary preliminary to an appreciation of what should happen. The conspicuous value of administrative reporting is the revelation it affords of the actual way in which administrators operate, to the end that they may operate more efficiently in the future.

Neither abstract administrative principles nor mere common sense give adequate guidance to the administrator. (Besides, common sense, as the native electrician in India remarked to the English lady who urged him to use his common sense in making a difficult repair, is a gift granted only to philosophers.) The principles specify a proper "span of control," and common sense tells him he should not have too many people reporting to him. But such variables as the personal energy of the administrator, the quality of the reporting personnel, and the complexity of the operations affect the size of the "span." Close reporting of experience—clinical case histories—are necessary to guide the administrator to the solution of such problems.

Public administration has come into the field of historical writing very late. There is no Herodotus for a discipline which is barely old enough to vote. Contemporary writers on public administration have tended to show the characteristic marks of their intellectual paternity—the departments of government and political science of the universities and colleges, which have only recently turned from the courtrooms to the market place as a source of political raw materials. The older tradition of political science was legalistic and formal, and the public law professors who undertook the

teaching of public administration carried their occupational bent into their new field of interest. Their historical method applied to the federal government, for example, is likely to produce a series of tintype photographs. But administration is less structure than process, and it is the life and movement of the process, rather than the static image of one stage of it, which good administrative reporting should depict. The mastery of appropriate techniques for such reporting is the first step in making the record of experience available for the solution of the problems which now face the administrator.

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# Administration of Island Areas in the South Pacific

By GEORGE A. WARP

*University of Virginia*

THE islands of the South Pacific are today at the forefront in the game of power politics. Their political and strategic importance has placed them there. A nation gaining their control could, if it willed, monopolize the air and sea transportation over and on the Pacific Ocean. Since for this reason the island groups and their peoples are inevitably within the political orbits of the larger nations, their administration must meet both the demands of international policy and the needs of the native peoples.

The islands are distinctly colonial. Until World War II they were under the sovereignty of eight nations—Australia, Britain, Chile, France, Holland, Japan, New Zealand, and the United States. They are the acme of heterogeneity—a veritable hodgepodge of environments, races, cultures, and politics. For the most part, the economic potentialities of the islands are limited, but their important position on the channels of international communication and trade render them vital pawns in the grim but realistic geopolitics of the Pacific Ocean. As outer zones of defense and as potential avenues of enemy attack, they are of tremendous significance not only to Japan, Australia, and New Zealand but to the United States as well.

The future status of the islands in the South Pacific is now being determined. The islands themselves constitute the theater of the war being waged to determine that status. The colonial claims of Germany, the expansionist policies of Japan, the breakdown of naval and non-fortification agree-

ments, the development of transoceanic aviation, and the democratic challenge to totalitarian aggression have transformed the islands into bloody battlegrounds. Few will challenge the proposition that when this war is ended, peace terms must be so dictated that Japan will never again gain control of these stepping stones to aggression and supremacy.

## *Conditioners of Administration*

THE islands are commonly classified in accordance with the native races found in occupation at the time when aliens first entered the area. Hence, they are known as Polynesia, Melanesia, and Micronesia. Polynesia is the eastern part of the area, embracing the Hawaiian, Ellice, Phoenix, Union, Manihiki, Marquesas, Cook, Society, Tubuai, and Tuamotu groups. Melanesia is the western and south central part of the area, including the New Guinea, Louisiade, Solomon, Santa Cruz, New Hebrides, New Caledonia, Loyalty, and Fijian groups. Micronesia is the northern and somewhat eastern part of the area—the Marianne, Pelew, Caroline, Marshall, and Gilbert groups. They constitute a tropical and near-tropical region covering more than one-tenth of the earth's surface and with a land area several times the size of Japan.

In effect, the islands are exposed ridges and peaks of stupendous mountain ranges which traverse the Pacific Ocean floor in an east-west direction. The largest land areas are found in the Melanesian group. The island of New Guinea covers about 315,000 square miles—roughly, the size of Texas and

Louisiana combined. New Britain, the next largest island, is as large as Maryland and Delaware. And there are about ten other large islands in the group.

In contrast with the large islands, there are hundreds of small, scattered islands. The several thousand Micronesian islands contain only about 1,200 square miles of actual land (the area of Rhode Island). Some inhabited islands are only two or three square miles in extent. The Polynesian group is little larger. Without the Hawaiian Islands, it contains slightly less than 4,000 square miles.

Many of the islands are very difficult of access, having at best channels or landings that can be negotiated only in small boats in good weather. Ashore, the higher islands are rugged in contour, with dense forests and swampy areas and with soils that are easily worked out. The low islands have exceedingly limited resources on their sand and coral shores.

The native peoples on the islands of the South Pacific trace their origins back to the Malaysian islands and thence to south-eastern Asia, according to evidence afforded by geology, plants and animals, racial characteristics, language relationships, customs and beliefs, and archeological discoveries. Of the approximately 2,000,000 natives, about 75 per cent are Melanesians, 20 per cent Polynesians, and 5 per cent Micronesians. In most of the islands population has been increasing tremendously during recent years because of high fertility and lowering mortality. This trend is a reversal of the earlier tendency of depopulation due to the white man's guns and the white man's diseases. It is a serious problem in that it raises the threat of overpopulation. Undoubtedly the present war has resulted in a temporary reversion to the depopulation trend, at least in the Melanesian group.

The life, customs, and status of the natives vary, of course, from island to island and from group to group. Few generalities can be made. Many of the Polynesians (particularly in Hawaii) are politically, socially,

and economically on an equal level with their western-born neighbors. However, for the most part the native peoples are backward; many of them have not advanced beyond a stone age culture, and some are not far removed from cannibalism, human sacrifice, infanticide, and similar practices. Throughout the South Pacific islands the patrilineal family, closely resembling the Biblical pattern, prevails. Authority rests in the elders, especially in the eldest male. Divisions of labor within the family follow the ancient allocations by age and sex. Both boys and girls are permitted great sexual freedom before marriage. Children are freely adopted from one family into another. Direct social relations between brothers and sisters are generally avoided. Relationships between distant kindred are maintained and serve as bases for intercommunity contacts. Normally, natives visit other villages only when they have relatives living there, but a great deal of work- and gift-exchange and ceremonial visiting take place between kin living in separate villages. Secret organizations are not only common but important.

Alien peoples on the islands are mostly clustered in and around the few urban and plantation areas. Socially, they tend to be insulated from the native peoples.

The economic potentialities of the islands are somewhat limited. Transportation and labor costs are high, and competition from other tropical regions is keen. Coconut products constitute the chief export. Sugar production has been developed in Fiji and in the Japanese mandate. Nauru, the Gilbert and Ellice group, and the Japanese mandate all have extensive phosphate deposits which have been exploited to some extent. Rubber is grown in Papua. Valuable metals come from New Caledonia, New Guinea, and Fiji. Cocoa and coffee are grown in New Hebrides. Tropical fruits are becoming increasingly important as an export in many of the islands, and native craft work is exported from American Samoa, where it has been organized and sponsored by the government.

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While the South Pacific islands have definite climatic and physical limitations, there is no question but that many of them are capable of considerable commercial development beyond that which has already taken place. Some of the islands, especially in New Guinea, have vast metal and ore deposits awaiting exploitation. Fish canning is a potentially great industry. Native craft work could be commercialized extensively throughout the group, as it has been in American Samoa.

### *Forms of Administration*

THE forms of administration in the South Pacific vary from one jurisdiction to another. The jurisdictions can be classified broadly into mandatory and non-mandatory groups. At the end of World War I, Germany's Pacific islands were mandated to Japan, Britain, Australia, and New Zealand—the Marianne, Caroline, Pelew, and Marshall islands to Japan, Nauru to Britain, the Bismarck group and Kaiser Wilhelm Land (German New Guinea) to Australia, and German (Western) Samoa to New Zealand.

The islands in the South Pacific were labelled class C mandates and were treated differently from the other mandates because of their sparse population, their small size, their remoteness from centers of civilization, and, particularly, their geographical contiguity to the mandatory nations. Under the terms of the mandates, the mandatory nations were permitted to legislate for and administer the islands as integral portions of their territories. They were restricted only by provisions prohibiting the slave trade, the supply of liquor to the natives, forced labor, traffic in arms and ammunition, the military training of natives, and the establishment of military or naval bases or fortifications. The mandates contained no provision for the open door; the mandatory nations were left free to establish such economic policies as they willed.

Political reasons, however, overshadowed economic reasons as incentives for the con-

trol of the islands. The land area of the Japanese mandate was far too slight to afford any outlet for the population of overcrowded Japan; the Japanese simply did not wish valuable naval and air bases to slip through their hands. Australia and New Zealand were not in dire need of the products of German New Guinea and German Samoa; they merely had no desire to see these nearby territories fall into the hands of a foreign power. Thus, the interest of the mandatory nations was and is primarily political. In the case of Japan, especially, the Japanese mandate has served as a primary base for Japan's scheme to extend her "new order" to the South Pacific.

The administration of the Japanese mandate affords a valuable case study in the acquisition and development of island areas. The several thousand tiny German islands north of the equator were seized by the Japanese in 1914. They were administered until 1918 by a naval garrison which took account of local customs and of the position of native rulers. In 1918 the naval garrison was replaced by civilians, but the commander of the garrison remained as head of the administration and the naval force was reduced to the number required as police. In 1922 a full-fledged civilian administration was established. The government of the islands was placed in the hands of a South Seas Bureau, composed of a director and a staff. The director was empowered to issue ordinances, though he had to obtain the approval of Tokyo for those of major consequence. The South Seas Bureau carries on its functions through a secretariat consisting of offices for general affairs, finance, police, economic development, communications, and harbor works.

For purposes of administration the islands are divided into six areas, each headed by a branch bureau. The director of the South Seas Bureau serves as general superintendent of the branch bureaus with power to suspend their regulations. The heads of the branch bureaus exercise a degree of ordinance power, administer their areas, and act

as arbitrators in certain types of civil controversies. The main office is at Koror in the Caroline group, and the six branch bureaus are located at different villages throughout the islands.

The Japanese have no popular or advisory assemblies. The court system consists of a higher court and three local courts, and the Japanese procuratorial system extends to the islands. Since 1923 the Japanese codes have been enforced in the mandate. In civil cases between the natives, local practices are substituted for the provisions of the codes; the criminal codes, however, are applied without exception. The police force is wholly civilian. Village government is largely in the hands of native chiefs, who are appointed and removed by the branch bureau heads with the approval of the director of the South Seas Bureau.

In both mandatory and non-mandatory jurisdictions, the overhead governmental structure is substantially the same. A governor, a resident commissioner, or an administrator of the alien power supervises local affairs and is responsible to the higher colonial authorities. In the case of the mandates, until the breakdown of the League the higher colonial authorities were responsible to the League of Nations Mandates Commission. The island of Tonga differs from the general pattern in that a protectorate form exists in which a queen and a native administration rule the island with the advice of a British consul.

The several jurisdictions usually have departments which carry on such functions as finance, police, education, health, and public works. The alien administrators handle the top responsibilities; the lesser duties are delegated to native officials. Normally, a jurisdiction is divided into convenient administrative units, each headed by a district officer or resident. Usually this official is an alien who acts with or without native associates. In the American territories, in the Gilbert and Ellice group, and in Tonga, the district official is a native.

The type of local administration depends

upon the governmental philosophy of the alien power, the number and civilization of the natives; and the topographical conditions of the islands. Individual natives are given varying degrees of authority as mayors, policemen, and sanitary inspectors, sometimes aided by officially recognized native councils and committees. Limitations on finance and personnel preclude the stationing of alien administrators in every village. The Japanese have alien police in practically every village, but, even so, native officials are chosen to work with them. In many of the islands the alien power works chiefly through existing leaders and councils; in Melanesia, however, the existing leaders have frequently been passed over and a separate native administrative personnel has been selected.

In the matter of judicial organization, native magistrates are usually chosen to deal with minor offenses, district judges handle the average run of matters, and a central supreme court bears the major responsibility. In some of the jurisdictions, however, the executive official is at the same time the chief judicial authority, beyond whom there is no appeal. Many of the jurisdictions have native judges who sit in on the trial of native cases.

As for the legislative phases of government, enactments are generally made by direct promulgation. Both aliens and natives on the islands, however, have shown an increasing interest in getting a voice in affairs. In order to sound out local opinion on prospective legislation, legislative or advisory councils have been established in practically all the jurisdictions except the Japanese mandate and New Hebrides. Some of these councils (as in New Guinea, Solomon Islands, and Papua) provide only for alien representation; others provide for representation of both aliens and natives. In none of the councils, however, are the natives given more than a very small minority of the members and in none of the councils are the native members elected, even though the councils' functions are purely advisory.

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The extent to which government responsibilities are placed in native hands varies widely from jurisdiction to jurisdiction. In the Micronesian islands and in most of the Melanesian islands, the local native officials are given only minor responsibilities, while in some of the Polynesian islands, the natives exercise considerable powers of self-government. The protectorate of Tonga perhaps provides the greatest amount of self-government, with the British-controlled Gilbert and Ellice group and the American- and New Zealand-controlled Samoan group not far behind. Probably the natives are given less governmental responsibility in the Japanese mandate than in any other part of the South Pacific islands.

### *Policies of Administration*

CONSIDERABLE controversy has arisen concerning the advantages and disadvantages of direct and indirect rule. Direct rule requires large non-native staffs and creates undercurrents of resentment among the natives. It is justified only when administrators thoroughly understand natives and languages, and then only as a temporary expedient. Indirect rule, on the other hand, involves working through native leaders and councils. While it may be less efficient than direct rule, it makes government activities a part of the native setting. The disadvantage of indirect rule is that it tends to perpetuate native leaders and institutions in a manner which renders them unaccountable to the natives themselves.

To the natives, alien rule seems capricious and unfair and constitutes a continuous source of irritation. If alien administrators would cooperate with the natives in devising laws and make a real effort to develop competent native administrative personnel, there would be more likelihood of native cooperation. Although all jurisdictions have given some thought to the training of native staffs, the effort has never been more than lukewarm.

One who doubts the ability of the Polynesians, Melanesians, and Micronesians to

develop political competence need only look at Hawaii. In the Hawaiian Legislature no members are more respected than those of the Hawaiian (Polynesian) race. Indeed, the proportion of Hawaiians in the Legislature is considerably greater than the proportion of Hawaiians in the general population. Yet Hawaiians are only a century and a half removed from the stone age.

Law enforcement has been another of the serious problems in the administration of the islands. Alien and native codes are in perpetual conflict. Sometimes, if a native obeys the alien code, he violates his native code—perhaps in such a way as to throw him open to the threat of supernatural punishment. A native punished for a violation of an alien code may actually be regarded not as a delinquent but as a martyr. Proper administration demands an understanding of these difficulties. An alien official who thoroughly knows the native mind will wisely maintain a considerable degree of elasticity with respect to alien law and its penalties. While the dualism in codes cannot be corrected overnight, a proper understanding of the differences by aliens and natives alike is a crying need. In many cases, alien codes should be brought more closely in line with native customs. The matter is one for expert study and native education.

In most of the island groups a large percentage of the children are either required or encouraged to attend school. Usually the school building is a native hut wherein the pupils squat on mats and endeavor to absorb the learning handed out by their teacher.

The missions were the pioneers in the modern education of the natives; indeed until recently they operated all the schools. Only in American Samoa are there secular coeducational schools at which attendance is required. Even today the British and Australians work through missionary schools, generally prescribing standards of scholarship. In the French possessions missionary schools still supply the only native education.

While the contribution of the missions to

native education is not to be underrated, it has, nonetheless, been far from satisfactory. Missions have been chiefly interested in developing sufficient literacy for Bible-reading, in training native pastors, and in inculcating Christian ideals of morality and behavior. While they may have succeeded to some extent in these aims, they have generally failed to give the islanders a real understanding of alien culture and have often instilled in them a contempt for all things native.

The recent and progressive trend in native education is to preserve and improve, rather than to destroy, the native type of society. According to this concept, the natives should be taught to adapt themselves to social change, to understand their problems, and to think out their own solutions; but they should not be "westernized," except to the extent that their adaption of western ways to their own culture is the result of their free and intelligent choice.

One of the aims of education should be to encourage dropping of the many local variations in language which now plague the islands. Also, the islanders should be encouraged to speak two or more languages in order to facilitate their contacts with other peoples.

Perhaps equally as important as education is the health problem. As in education, medical work at first was carried on by the missions. Indeed, in many of the islands, government health activities are still carried on in close cooperation with the missions. In some of the islands, however, the missions have withdrawn from the field.

Except in American Samoa, the health activities have been hopelessly inadequate. Obviously, it is impossible to have a resident health officer on each of the thousands of inhabited islands. Consequently, only a small portion of the native population enjoys the benefits of modern medical science.

Two features of medical practice in the South Pacific islands have been eminently successful and augur well for the future. Through the cooperation of the Rockefeller

Foundation, health campaigns have been waged against the two prevalent native diseases—yaws and hookworm. The clinics which have traveled from village to village and from island to island have often instilled an almost prophetic faith in the efficacy of western medicine. The second feature has been the training of native medical personnel. In recent years, there have been developed systems for training medical assistants in French islands, medical orderlies in Australian islands, sanitary assistants and hospital helpers in Japanese islands, medical practitioners in British islands, and nurses in American islands. The Suva Hospital in Fiji is perhaps the outstanding training center in the South Pacific. Here carefully selected young native men come for three years of intensive training, at the end of which they become medical practitioners well qualified to practice in the field of tropical medicine. When these men leave the hospital, they are required to wear native dress and to identify themselves with the natives.

In addition to remedial medicine, there is a wide field for preventive medicine. The natives should be trained in hygiene and health, and they should be encouraged to improve their dietary habits. Success in preventive medicine is largely dependent upon success in education.

The natives, for the most part, are quite content with their system of subsistence living. They work to live, and see no point in the westerner's notion that man lives to work. Work for work's sake has no place in their philosophies. Administrators have recently ceased their efforts to overcome this feeling. Due to the vulnerability of the islands' export economy, they have come to emphasize subsistence living first and commercial development second. The war in the South Pacific has undoubtedly thrown the natives back more than ever on the ancient ways of acquiring food, clothing, and shelter.

So far as the future of agriculture and industry is concerned, there is one hopeful sign: The natives take well to collective

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ownership and operation. By the development of cooperative production operated by and for themselves and catering to their artistic and creative drives, it is possible that they may successfully enter the world economy. Administrators can aid in the development of such a program by encouraging and even creating export markets.

### *Future of Administration*

WHAT is the future of the islands in the South Pacific? Obviously, they cannot be turned loose to shift for themselves. They will continue to require outside assistance. This will be particularly true of the islands in the Japanese mandate. It may also be true of French and Dutch islands in the South Pacific if native life is not to deteriorate and government break down.

Some writers have suggested that the backward islands in the South Pacific be administered directly by an international agency similar to the League of Nations Mandates Commission. Even if the practical difficulties in the development of such an international territorial administrative service could be surmounted, it is highly questionable whether its establishment would be desirable. Past experiences should have taught us that international protection is too weak and too hazardous for such a vital zone. The islands in the Japanese mandate are obviously in the American sphere of

interest—they constitute our outer line of western defense against the encroachments of a hostile and vengeful Japan, and they are necessary for our free air and sea intercourse with the Orient. They should be governed by well-trained American administrators in collaboration with native officials.

Just as the islands north of the equator are in our sphere of interest, so the islands south of the equator are in the spheres of interest of Australia and New Zealand. The complicating factor there is that many of them are nominally in the hands of defeated France and defeated Holland. It would seem that Dutch New Guinea, the French islands in the South Pacific, and perhaps the British islands there should be transferred to Australian and New Zealand rule. With their feeble resources, these islands are of greater strategic and political importance to Australia and New Zealand than they could be of economic importance to the nations now controlling them.

The peoples of the islands should be given high consideration in the plans for the future. They should be so educated as to enable them to help themselves to health, freedom, and prosperity. They should be protected against exploitation and aggression. For these purposes adequate staffs of thoroughly trained alien administrators should be on hand to help and guide the natives to their destinies.

# The Budget Bureau: From Routine Business to General Staff

By NORMAN M. PEARSON

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THE national budget, during the twenty-two years since its creation in the Budget and Accounting Act of 1921, has been a good reflector of the responsibilities undertaken by the federal government and an instrument for effectuating those responsibilities. The policies governing the role of government and the sense in which the budget has been used as an instrument, however, have been in transition. For the first twelve years under the new budget system prevalent attitudes dictated a restricted responsibility of the federal government in the social and economic affairs of the nation; consequently, the content of the budget was relatively small, and much attention was devoted to making certain that the costs of this relatively small budget did not exceed the revenues of the federal government. The budget itself was viewed administratively primarily as an instrument for securing efficient execution of auxiliary or business services. Since 1933 the responsibilities of the government have been expanded and since 1938 the budget has been further developed into a broader instrument of management for the execution of federal programs, as well as for the supervision of business services.

In the last ten years, the federal government has come to be conceived generally not only as a service enterprise for the care and protection of individuals but also as a regulator of the business cycle in such fashion as to minimize the impacts of its fluctuations upon the national economy. The initiation of social security programs, work relief programs, and agricultural stabiliza-

tion programs has focused attention upon the large size and complex content of the federal budget and the methods of financing the programs. The President, as political leader and chief executive, has used the budget as a broad "device for consolidating the various interests, objectives, desires and needs of all our citizens into a program whereby they may jointly provide for their safety, convenience, and welfare."

The national budget as an administrative tool has also been in transition. The Director of the Budget and his organization have been the primary participants in this administrative phase of federal budgeting. In its changing role in the administration of the budget, the Budget Bureau has not been subjected to much publicity; consequently, its activities have constituted somewhat of a mystery to students of administration, to members of Congress, and even to officials of the departments and establishments. Although top officials of the latter have had continuous experience with the Budget Bureau as an organization, many bureaus have had only brief annual formal hearings before the budget examiners, and their field organizations know of the Budget Bureau largely from hearsay or from an occasional visit from a Budget Bureau examiner on a field inspection tour.

It would, therefore, appear useful to analyze the Budget Bureau as a unit in federal budgetary administration, using as a perspective the period since its inception in 1921. A study of the trends may yield an understanding of the present role and the potentialities of this organization. Before

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undertaking this analysis, however, it is important first to point out briefly the different aspects of budgeting in relation to the activities of the Budget Bureau.

*Changing Emphasis in Federal Budgetary Administration.* During the history of the Budget Bureau a number of activities have been identified or associated with federal budgeting. Weighing heavily upon federal budgeting to this day has been the great emphasis placed upon accounting, budget mechanics and the fiscal system, due largely to the views of the early reformers such as Frederick A. Cleveland, Charles W. Collins, and W. F. Willoughby, and their followers, such as A. E. Buck, J. W. Sundelson, and D. T. Selko. More recently, these activities have been called "surface aspects" by the present Director of the Budget and "mechanical foundation" by V. O. Key. Second, procurement and the supervision of auxiliary services have been associated with the budget function.<sup>1</sup> Another group of activities is comprised in the continuous appraisal of estimates and expenditures in the "budget review process" from the point of view of (1) the evaluation of programs and of estimates for their support; (2) the coordination of programs and of their administration; and (3) the use of the budget as an administrative tool for defining objectives, building up work projects, determining specific financial requirements, supervising expenditures, and checking performance. A fourth group involves the review of reports on proposed legislation and the initiation and review of proposed reorganizations. Finally, the organization and coordination of over-all financial planning have recently been receiving attention by the Budget Bureau through a reenforced fiscal division.<sup>2</sup>

In all these activities carried out by federal budget offices under the broad name of budgeting, the most fundamental adminis-

trative purposes are those of the evaluation of programs and coordination, which are both achieved by the proper use of the budget as a tool of administrative management. In fact, the value of budgeting in such an administrative role constitutes the basis for its being considered as a general staff function rather than simply as an auxiliary service. Essential adjuncts of federal budgeting are the review of legislative proposals and administrative planning. None of the other phases frequently associated with budgeting, including accounting, auditing, and procurement, involve questions as to what programs should be undertaken or how much money should be spent on them. They involve, rather, the auxiliary service to be rendered the organization in carrying out programs decided upon in the budget review process. In order to see more specifically what the changing role of the Budget Bureau has been, it is important to examine, first, the authorities under which it has operated and, second, the types of action it has taken pursuant to those authorities.

*Delegations of Authority from the President.* In administration, the number of levels of authority and the types of delegations necessitated thereby are of great importance. Yet few students of administration, in developing their concepts of organization, have treated specifically the multiplication of levels of authority resulting from factors of size and complexity. It would seem that even to a casual observer the application of organizational principles to the role of a city manager in a city of 50,000 population would be somewhat different from the application of the same principles to the role of the President of the United States. The "span of control" principle applied to larger organizations necessitates a great many more levels of authority and hence greater problems of delegation, supervision, and coordination.

In an organization as vast and complex as the federal government so many levels of authority occur that several types of delegation of authority must be used. The most inti-

<sup>1</sup> W. F. Willoughby, *The National Budget System* (Baltimore, 1927), pp. 224-240; J. M. Pfiffner, *Public Administration* (New York, 1935), pp. 274-275, 281-285.

<sup>2</sup> Arthur N. Holcombe, "Over-all Financial Planning through the Bureau of the Budget," *Public Administration Review* 225-230 (1941).

mate, personal, and informal sort of delegation is made by the President to his immediate aides in the White House Office of the Executive Office of the President. These aides are usually purely advisory to the President and do not act in the lines of authority and responsibility from the President to the departments and establishments. The second sort of delegation is made to the one purely advisory staff agency within the Executive Office—namely, the National Resources Planning Board. Its authority is more formal and its advice to the President is less immediate and personal, being based usually upon long-range studies. A third sort of delegation of authority is made to the Budget Bureau, which is also within the Executive Office. The authority of the Budget Bureau is of a "general staff" nature in that it helps supervise and coordinate all departments and functions of government, and while acting as an agent for the President it makes many decisions on administrative problems which in practice it is not possible for the President to review in detail, and it administers certain powers assigned to it by Congress over certain types of decisions by the various operating departments. A fourth type of delegation of authority is made by the President to the federal agencies for the execution of particular programs within broad fields of government action. Such authority involves the only sort of delegation generally recognized by students of administration and is clearly along the lines of authority and responsibility from the President. It is not coordinative and supervisory except within the program assigned by the President.

With the vast increase in the size of the federal government during the last ten years, the Bureau of the Budget has assumed much of the responsibility for the supervision and coordination of the work of federal agencies. Its authorities, as will be seen, are often general and informal. Moreover, the administrative theories in connection with the delegations have varied from time to time.

*General and Basic Delegation to the Bureau of the Budget.* The fundamental authorizations for delegations of authority to the Director of the Budget are contained in the Budget and Accounting Act of 1921, Title II. The Bureau of the Budget itself was created by Section 207, which also authorized the President to appoint a director and an assistant director without the usual advice and consent of the Senate. All the authorities in Title II, however, are conferred upon the President, who from that time on was to be responsible for the formulation, presentation, and execution of the Budget of the United States. The Director acts only "under such rules and regulations as the President may prescribe" (Sections 207, 208, 213, and 216) or "when directed by the President" (Section 207).

Nothing in the Budget and Accounting Act specified that delegations from the President to the Director of the Budget are to be formal—that is, by letter or executive order. As a matter of fact, no regulations have ever been issued by the President pursuant to any of the above sections, and only two executive orders (Nos. 3550 and 3578) have formally delegated authorities from the President to the Director of the Budget. As a consequence, the actions of the Director have been based largely upon the informal understandings between him and the President and upon the implied authority of the Budget and Accounting Act. The fact that most circulars are issued by the Director of the Budget "by direction of the President" does not clarify the formal relations between the President and the Director. The Bureau has a number of other authorities with respect to printing and statistics which will not be discussed in this statement. Title II, Section 2 of Executive Order No. 8248, September 8, 1939, summarizes broadly all the functions and duties of the Budget Bureau, but it is not considered among the basic authorities; in the statement furnished by Director Smith for the *U. S. Government Manual* (Fall, 1942) it is recorded rather as a summary of the activities of the Bureau.

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*Advisory Role*

*To the President.* The Budget and Accounting Act describes the Budget Bureau as an agency authorized to prepare the national budget for the President, the implication being that the Director of the Budget would advise the President generally with respect to all budgetary matters. Although the advisory function is not mentioned explicitly in the Act, the first director, Charles G. Dawes, held that advice was his sole function and that his advice was restricted to matters of "business administration." This view is stated clearly in the Budget Bureau Circular No. 1, June 29, 1921, as the second of Dawes's four "basic principles of budget operation":

The Director of the Budget, as a matter of governmental business administration, has no responsibility under the law, save for the administration of his own bureau. He is simply an advisor of the President and Congress in the matter of correcting business administration.

Later developments have shown that the Director, in his relation to the President, advises him on budgetary matters broader than "business administration" or housekeeping services and that, moreover, advice is not his sole function. The present director, Harold D. Smith, conceives the role of the Bureau of the Budget "... to serve as agent of the President in his job of management and to help execute whatever program or policy the Administration may have undertaken."<sup>1</sup> An "agent" connotes delegated authority and means something more than "advisor." Similarly, the scope of activity includes program and policy execution as well as "business administration." Director Smith also takes care to emphasize that the *making* of policy is the responsibility of Congress and the President; the Budget Bureau merely aids in the execution of policies agreed upon by them. Holcombe, in the article cited above, indicates a policy role for the Bureau

in over-all financial planning which Director Smith perhaps would not admit.

*To Congress.* Section 212 of the Budget and Accounting Act provides:

The Bureau [of the Budget] shall, at the request of any Committee of either House of Congress having jurisdiction over revenue or appropriations, furnish the committee such aid and information as it may request.

It is at once apparent from the organization of the Bureau of the Budget as well as from this language that it was not meant to be an advisory agency to Congress in the same manner in which it advises the President. Congress does not have as direct control over the Budget Bureau as it does over the General Accounting Office, also authorized in the Budget and Accounting Act. Furthermore, the initiative must come from Congress in requesting aid and information. Congress, moreover, is not restricted to information from the Budget Bureau; it may obtain as much as it desires from the departments and establishments. Similarly, there is no restriction upon the departments and establishments in the submission of information to Congress, as there is in the submission of estimates (Section 206) and legislative proposals (Budget Bureau Circular No. 390). It is important to note also that both the revenue and appropriation committees are included. Dawes early made it clear, however, that the Budget Bureau was advisory to Congress only on matters of routine business, and that the Bureau was to be "impartial, impersonal, and non-political." Though Dawes urged the fullest cooperation, it seems to be generally agreed that during its first sixteen years the Budget Bureau furnished very little aid or information to Congress. To date the tax committees of Congress have received their principal aid from the staff of the Congressional Joint Committee on Internal Revenue Taxation and from the Treasury Department. Until recently the Budget Bureau provided very little aid and information to the appropriation committees of Congress; they have de-

<sup>1</sup> Harold D. Smith, "The Role of the Bureau of the Budget in Federal Administration," address given at a joint meeting of the American Political Science Association and the American Society for Public Administration, December 28, 1939, p. 4.



pended upon the departments and establishments for information on particular programs, and on government-wide programs they have relied largely on their own judgments. Since the Budget Bureau has strengthened its staff, however, Congress has sought and received advisory reports on certain auxiliary services, such as long-distance telephoning and telegraphing, cost of personnel work, press, radio, exhibits, and motion pictures, as well as on the evaluation of federal programs on a government-wide basis.

*To the Departments.* The Bureau of the Budget is advisory to the departments and establishments only in the secondary sense of informing them as to the President's policy. In the early 1920's this information was limited to matters of "routine business," and the Director of the Budget, the coordinating boards, and the departmental budget officers served as the operating connecting links between the President and his cabinet heads on such matters. More recently, information on presidential program policy, as well as on housekeeping matters, has been transmitted to the departments. Because of the vast expansion in the extent of federal activities, departmental representatives rarely, if ever, see the Director of the Budget, much less the President. Their negotiations are with the chief budget analysts and the principal budget analysts of the Division of Estimates. Obviously, the "advice" rendered is not the presentation of recommended alternative actions as is the advice to the President.

#### General Staff Role

WITH respect to the President the Director of the Budget does more than advise. With the aid of his Bureau he applies the broad policies approved by the President; he makes decisions with respect to the substance of programs pursuant to the broader policies; and he plays an important role in evaluating and initiating broad alternative policies and in presenting them to the President for decision. The two primary administra-

tive channels in which these decisions are made are the review of the proposed work programs in budget estimates and the supervision of expenditures through the establishment of apportionments and reserves. Insofar as the Budget Bureau makes decisions that in practice cannot be reviewed personally by the President, it participates in a direct line of authority and responsibility from the President to operating units. This line of authority and responsibility is different from that which runs from the President to the operating units through the heads of departments and agencies, but it is distinct enough to make the Bureau more than a "staff agency" in the sense in which the term "staff" is used by Gulick or White.<sup>1</sup> In order to determine the types of decisions made, the trends in administrative actions by the Bureau of the Budget on the departmental requests for funds and in apportionments and general reserves are next reviewed.

*Review of Department Requests for Funds.* At the outset it should be noted that decisions with respect to budget estimates have several different aspects: (1) justifications for the program, (2) accuracy of the estimates, and (3) over-all sufficiency of funds. Justification for the program from the point of view of the executive branch involves, first, the question as to whether Congress has authorized it and the extent of the authorization. The legislation may leave more or less room for interpretation. Next, will the proposed program achieve the objectives authorized by Congress? Where the legislation is quite broad there is considerable leeway for the evaluation of alternative proposals. If the justification or merit of the program has been agreed upon and approved, the question as to the accuracy of the estimate arises. The precision of the estimates depends upon (a) accurate work load standards, that is, how much manpower and

<sup>1</sup> L. Gulick, "The Theory of Organization," in *Papers on the Science of Administration* (New York, 1937), p. 31; L. D. White, *Introduction to Public Administration* (New York, 1939), pp. 63-65.



materials are necessary to accomplish a given unit of work, both for auxiliary services and for achieving the program objective, and (b) an accurate forecast of contingent conditions. In many federal programs there can be a wide difference of opinion between the Budget Bureau and the departments because of the lack of specific work load standards or because of the unpredictability of contingent conditions. Even for auxiliary services such as personnel, procurement, and printing and binding, which are essential for the operation of all organizations, there are often no standards, for many reasons. Even if the merit and justification of the program are recognized and the accuracy of the estimates is agreed upon, there arises a third question, namely, the sufficiency of funds to cover all programs. If the sum of approved program estimates exceeds the total which the President feels should be undertaken within the limits of existing or proposed tax levies, then cuts must be made to bring the estimates in line with that total. Total allowable monetary limits for government expenditures will depend upon the prevalent concept of the role of government in the affairs of the nation.

*Authorities.* The basic authority for the review of the estimates of departments and establishments by the Budget Bureau is contained in Section 207 of the Budget and Accounting Act, which provides that

... The Bureau, under such rules and regulations as the President may prescribe, shall prepare for him the Budget, the alternative Budget, and any supplemental or deficiency estimates, and to this end shall have authority to assemble, correlate, revise, reduce, or increase the estimates of the several departments or establishments.

Executive Order No. 3550, September 21, 1921, which is repeated in Section 1 of Executive Order No. 3578, November 8, 1921, constitutes the "rules and regulations" prescribed by the President and sets forth substantially the language of Section 207. In addition, these orders specify that "in increasing or decreasing the estimates of appropriations necessary for any department or estab-

lishment" the Director "shall take into consideration any proper reduction in working forces, reduction in compensation, and the elimination of unnecessary activities." This language, though somewhat broad, seems to be concerned with policies of economy and efficiency rather than with the substance of programs. The Director, under the executive orders, is also given the authority to "determine the plan as to the contents, order, and arrangement of the estimates" pursuant to Sections 213 and 216; this plan, in accordance with Section 204 (a) of the Budget and Accounting Act, is to "conform to the requirements of existing law." Though not nearly as important as the authority to reduce or increase estimates, this authority has been the basis of the elaborate budget gadgetry outlined especially in the Budget Bureau circulars calling for the annual estimates. The rather simple directives discussed above have apparently been considered a sufficient delegation of authority for the Director of the Budget, inasmuch as no further executive orders or "rules and regulations" have been issued by any President on the subject. Executive Order No. 8248, II, 2 (a) summarizes the function in these words: "to assist the President in the preparation of the Budget. . . ."

*Actions.* This delegated authority to "reduce or increase the estimates of the several departments or establishments" is of far-reaching importance, for in effect, it conveyed discretion to the Bureau of the Budget over the substance of departmental programs. This discretion, though exercised by the Bureau from the beginning, has been hidden by the more obvious concern with routine business matters, with budgeting downward from over-all monetary limits, and with emphasis on technical and procedural matters. Only since 1939 has the Budget Bureau been more explicitly concerned with programs and with the budget as an evaluative and administrative tool for achieving the objectives of those programs in accordance with the policies of Congress and the President.

The first Director of the Budget made a distinction between "policy," or substance of programs, and "routine business" which was not made in the Budget and Accounting Act and held that

The Bureau of the Budget is concerned only with the humbler and routine business of Government. Unlike cabinet officers, it is concerned with no question of policy, save that of economy and efficiency.<sup>1</sup>

Under Dawes and his successors, Lord and Roop, economy was to be secured primarily through the more efficient conduct of "routine business" or housekeeping service. In relation to the standards of private industry, in 1921 there was, no doubt, much room for greater economy and efficiency in procurement, office procedure, space utilization, etc., in the federal government. Since policy matters and questions as to the substance of programs, according to Dawes, were not to be considered by the Budget Bureau, the review of the estimates was looked upon primarily as a job of budget mechanics and therefore of secondary importance. Nevertheless, the programs of the departments and establishments were submitted for review and decisions were made for the President regarding the substance of those programs. No clear distinction was made between the services necessary to sustain an organization and the program administration necessary to accomplish the objective. Much of the "economy" achieved in the name of more efficient routine business administration, therefore, was at the expense of reduced government programs. Reductions of either form, however, were in accord with the "emphasis in Washington" at the time on a restricted role for the federal government.

Accompanying the philosophy of the restricted role of government and the predominance of routine business matters during the period 1921-1933 was the practice by the President of placing arbitrary monetary limits on the total governmental expenditures and upon the expenditure of each of the departments and establishments. Instead

of judging national needs and building estimates to provide for them, a total limit was fixed in terms of total revenue or even of some smaller figure. From 1921 to 1929 advance estimates were requested from the federal agencies by the Director of the Budget only in the form of money amounts, without justification statements. The purpose of these advance estimates was to enable the President to determine a monetary limit for the expenditures of the entire executive branch. Each department was then given a top figure which its estimates were not to exceed, without special justification. This form of advance policy was purely fiscal, although substantive policy was implicit in the figure given. Neither Congress nor the departments were given an evaluative statement explaining the distribution of funds made among the departments. Since the expansion of the role of the federal government from 1933 to the present, the starting point has been major national needs and the tax structure has been adjusted upward to meet those needs.

The technical and procedural emphasis of the early budget reformers, which from the beginning has weighed heavily upon the actions of the Bureau of the Budget, has only recently begun to wane. In earlier years there was a lack of attention to the broader problems of administration, such as the basic grouping and organization of federal activities, centralization or decentralization of operations and supervision, desirable extent of delegations of authority, the role of staff agencies, and the like. Perhaps these problems could not emerge as significant until the role of the government in national economic and social affairs had been expanded and until huge administrative organizations were needed for executing that role. Though Budget Bureau circulars requesting the submission of estimates have always been addressed to the heads of departments and establishments by the Director of the Budget, they have always consisted primarily of technical and procedural matters. Since its major portions have dealt with

<sup>1</sup> Charles G. Dawes, *The First Year of the Budget of the United States* (New York, 1923), Preface, p. 2.

appropriation language and the schedule of objects of expenditure, the Budget of the United States has been a fiscal rather than an administrative document, and the appeal in the past has been to the accountants rather than to the administrators. Only in recent years has the attention of the Budget Bureau been directed toward the organization of the budget in terms of programs or projects. To this day, however, the basic arrangement of the bulky budget document remains unchanged.

At no time during the period of Budget Bureau operations has the call for estimates been accompanied by any statement from the President as to his policies with respect to the substance of government programs. That the trend in recent years is toward a greater concern with programs is suggested by Budget Bureau Circular No. 380, September 23, 1941, which urged departments to make special efforts to coordinate their defense and non-defense activities and to rearrange their programs so that the greatest contribution to the national defense would be made. Similarly, under Executive Order No. 9067, February 20, 1942, the Budget Bureau in Circulars No. 388 and No. 400 has established priorities among federal agencies for obtaining personnel. This action postulated an evaluation of federal activities.

*Requests for Transfers of Funds.* In general, requests which arise during the fiscal year under way for inter- and intra-departmental transfers between appropriations have not been reviewed by the Budget Bureau except in summary fashion. Numerous estimates of transfers are anticipated and hence are reviewed at the time the estimates for the appropriations are examined. Many transfers, however, cannot be anticipated. Section 601 of the Economy Act of 1932 (31 U. S. C. 683) authorized the departments and establishments to place orders with one another for material, supplies, equipment, work, or services and to pay by check either in advance or after the performance. These transactions did not require prior approval

by the Director of the Budget until recently, when the First Supplemental National Defense Appropriation Act, 1943, approved July 25, 1942 (Public Law 678) provided that such transfers involving the appropriations for the Office for Emergency Management, the Office of Price Administration, and the Board of Economic Warfare were to receive the prior approval of the Director of the Budget. The authority provided by Section 601 of the Economy Act of 1932 has been used abundantly by the departments and establishments. Though the Budget Bureau (Circular No. 397) has undertaken to review certain categories of these transactions, the flexibility permitted between appropriations will probably not diminish. Several of the departmental appropriations acts (e. g., the Agricultural Appropriation Act for fiscal year 1943) now give authority for transfers among the appropriations without advance approval of the Director of the Budget.

Since June, 1940, direct appropriations to the President for allocation to the departments and establishments for emergency war purposes have become increasingly important. As of January 8, 1942, such appropriations totaled \$979,500,000. Subject to broad legislative direction, the Budget Bureau, under the supervision of the President, made allocations from these funds following the review of requests from the departments and establishments. This trend toward appropriations to the President, although due largely to war conditions, may nevertheless accelerate the development of a more permanent integration in federal administration.

*Determination of Apportionments and General Reserves.* After requests for funds have been approved by the Budget Bureau and Congress, the departments must secure the Budget Bureau's approval of their financial plans for executing their programs during the fiscal year under way. These financial plans take the form of apportionments and reasonable reserves for contingencies for the period of the program. In its gen-



eral staff role the Budget Bureau checks the rate of expenditure periodically to determine from the progress of expenditure the extent to which the President's policies are being achieved.

Several uses may be made by the President through the Budget Bureau of the technique of establishing apportionments and reserves against appropriations made by Congress. (1) It may be used to safeguard against spending in excess of the appropriation made by Congress and thereby stimulate more effective financial planning through the fiscal year and minimize supplemental and deficiency appropriations. This use was the historical basis for the creation of the system in the Anti-Deficiency Act of 1906.

(2) Changed conditions, involving the expenditure of smaller amounts than were appropriated or expenditures at a slower rate, may be taken into account. These changes may involve the number of persons unemployed, the supplies and demands upon agricultural markets, the number of forest fires, etc.; or they may involve, as during the present war, the inability of federal agencies to secure estimated increases in personnel and construction material. (3) Certain Congressmen have charged that large reserves have been used to offset increases made by Congress in excess of the President's budget. This latter use may not be entirely a result of differences of opinion between Congress and the Administration as to the size of the job. Under our present system, expenditures for a program can be modified but not completely cut off by the Budget Bureau. The only means at the disposal of Congress for counteracting such action by the President would be to make the expenditure of all appropriations mandatory, which would probably lead to considerable waste in the administration of the federal government.

**Authorities.** Authority for the control of expenditures by the President and the Budget Bureau through apportionments and general reserves is conspicuous by its absence from the Budget and Accounting Act. Until 1933 the power of apportioning

appropriations and establishing general reserves to avoid deficiencies lay with the department heads under the Anti-Deficiency Act of 1906, and only reports of apportionments approved and waived were made to the Bureau of the Budget. Section 16 of Executive Order No. 6166, June 10, 1933, issued pursuant to the reorganization authority in the Act of March 3, 1933, transferred "the functions of making, waiving, and modifying apportionments of appropriations" to the Director of the Budget. Executive Order No. 6226, July 27, 1933, provided for financial reports on monthly obligations and apportionments to be made to the Secretary of the Treasury to aid him in his financing activities and also for the use of the Director of the Budget. During the period 1933-1941 instructions for apportionments, as well as for periodic financial reports, were sent to the departments and establishments in the form of Treasury circulars.

Executive Order No. 8512, August 13, 1940, as amended by Executive Order No. 9084, March 3, 1942, provides the authority for the present Budget and Treasury Regulation No. 1, in accordance with which the Director of the Budget reviews the apportionment of appropriated funds and the establishment of reserves. Actions on financial reporting and on gearing accounting systems into financial reports are taken jointly by the Director of the Budget, the Secretary of the Treasury, and the Comptroller General. The determination of apportionments and general reserves for the various governmental programs, however, is the sole responsibility of the Director of the Budget. This function is expressed in Executive Order No. 8248, II, 2 (b) in the phrase, "to supervise and control the administration of the Budget."

**Actions.** The Anti-Deficiency Act of 1906 (31 U.S.C. 665) specified that apportionments were to be made by each of the departments and establishments in order that subsequent deficiency and supplemental appropriations could be kept to a minimum. Such apportionments could not be waived

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by the department head "... except upon the happening of some extraordinary emergency or unusual circumstance which could not be anticipated at the time of making such apportionment. . . ." Though he had no specific authority to apportion funds or establish reserves against the programs of the federal agencies from 1921 to 1933, the Director of the Budget was actively interested in seeing that deficiencies and supplemental appropriations were minimized, and much was done through what Dawes called "executive pressure upon the departments and establishments." During this period the Director required that apportionments, obligations and expenditures, and waivers or modifications of apportionments approved by the department heads all be reported. Still another means for keeping expenditures down was the requirement in Circular No. 77, August 11, 1922, that new work to be undertaken during the fiscal year be reported. Inasmuch as the apportionments themselves were not reviewed and passed upon by the Bureau of the Budget until 1933, few, if any, specific recommendations could be made with regard to the various departmental programs. For this reason, actions of the President to secure savings were usually made through his general powers over the executive branch and through the use of such indirect devices as the Business Organization of the Government and the various business associations in the federal field service.

The transfer of the apportionment and reserve function from the department heads to the Bureau of the Budget in 1933 did not increase the formal power of the President, but his tools for more effective supervision over expenditures were considerably improved. The apportionments for specific programs had to be approved by the same budget examiner in the Budget Bureau who approved the department's estimates; thus, the Budget Bureau had an opportunity to reduce expenditures which it did not have prior to 1933. Full advantage could not be taken of this authority immediately, how-

ever, because of the lack of staff in the Bureau.

No continuing authority exists in law or executive order for the Director of the Budget to reduce expenditures below the appropriated amounts even if conditions change so that the expenditures are no longer necessary to achieve the objectives of a program. On the other hand, Congress has not, in general, made the expenditure of appropriations mandatory upon federal administrative officers. The Budget Bureau has, nevertheless, from its beginning maintained that it should when possible reduce expenditures below the amounts appropriated by Congress. Dawes early announced that the amount to be expended by the departments was not the amount of the appropriation but the amount which was "consistent with exigencies, irrespective of the fact that Congress had authorized them to spend more." In Budget Bureau Circular No. 4, July 1, 1921, he urged the departments to place as much of their appropriations in reserve as possible, and in Section 2 of Budget Bureau Circular No. 28, September 1, 1921, he held that "it is an exploded theory that the appropriations to a given department should represent its minimum of expenditures for that year." Other circulars, such as Nos. 9, 20, 24, 55, and 57, specified that certain amounts should be added to reserves if possible.

The policies of the whole system of coordination boards for the liquidation of surplus government equipment and the purchase of supplies from 1921 to 1933 were directed toward economies in routine business administration via the expenditure phase of the budget. During the depression the same sorts of policies for reducing expenditures were followed at the direction of Congress. Circular No. 313, for example, issued pursuant to the Economy Act of 1932, forbade the filling of vacancies for positions already included in appropriations for fiscal year 1933, and was extended to cover fiscal years 1934 and 1935 in Circulars No. 326 and No. 330.

In recent years, with the expansion of the staff of the Budget Bureau, the entire system of apportionments and general reserves has been considerably revitalized. In implementing the authority transferred to the Budget Bureau in 1933 it is now possible for the Bureau to examine much more closely the administrative and financial operations of the federal agencies. Though savings and the prevention of deficiencies and supplemental appropriations still constitute the primary objectives, more and more attention is being given to changing administrative and economic necessities. A striking example of the current use of reserves against appropriations was presented by the Director of the Budget at a congressional committee hearing on the Independent Offices Appropriation Bill for fiscal year 1943. A total reserve of about \$415,000,000 was established for the entire federal budget for fiscal year 1942 as of December 31, 1941. With the advent of large economic programs, such as unemployment relief, the distribution of surplus foods, and rural rehabilitation, in which the fundamental conditions may fluctuate rather quickly, the apportionment system has been the most convenient device for insuring that funds no longer necessary will not be spent.

On some of these actions there was a considerable difference of opinion in Congress as to whether the changed economic conditions warranted such heavy reserves. To Congress it seemed as if the Budget Bureau might be using the reserves technique as a sort of modified veto power over appropriations voted by it. This objection to the establishment of reserves against appropriations raises some very fundamental issues in federal budgetary administration. Congress in making an appropriation expects to see a certain objective achieved by the federal agency to which it is made. It would also like to see the job done for less if possible. But with broad programs there are so many contingencies, biases, and imponderables that quite naturally opinions vary considerably as to the job and the amount necessary to do

it. Most students of budgeting have held that Congress should merely authorize an action in broad terms and that the President and executive branch should determine specifically the program and organization necessary to accomplish the objectives. In taking this position they also endorse the position of the Treasury in the British Government, where appropriations are authorized for expenditure only upon the subsequent approval by the Chancellor of the Exchequer. More recently, this position has been clearly expressed by J. Weldon Jones, assistant director in charge of the fiscal division of the Budget Bureau.<sup>1</sup>

*Financial Reports and Progress Reports.* Financial reporting is an essential concomitant of the apportionment process. Both techniques should be used to assure the President that the objectives of his program are actually being achieved as the money is spent. Yet, entirely too much emphasis has been placed heretofore simply upon expenditures of money. Even more than the estimates, the apportionment process has been dominated by accounting forms and systems. Justifications of programs and discussions of administrative problems are treated only incidentally to the numerous rows and columns of figures. This dominance of mechanics is naturally repugnant to administrators and has constituted perhaps one of the main obstacles to a more effective use of this phase of the federal budget as an administrative tool.

Financial reports are in process of further refinement, but no reports showing indicators of progress are systematically submitted to the Budget Bureau. In recent years, however, the trend has been definitely in this direction. In Executive Order No. 8248 one of the functions of the Bureau of the Budget was stated in II, 2 (h) as

To keep the President informed of the progress of activities by agencies of the Government with respect to work proposed, work actually initiated,

<sup>1</sup> J. Weldon Jones, "The Execution of the Federal Budget," address given at the 26th annual meeting of the American Accounting Association, New York City, December 30, 1941, p. 5.

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and work completed, together with the relative timing of work between the several agencies of the Government; all to the end that work programs of the several agencies of the Executive branch of the Government may be coordinated and that the monies appropriated by Congress may be expended in the most economical manner with the least possible overlapping and duplication of effort.

While financial reports indicate activity, they do not indicate to what extent the activity paid for is achieving the objectives of the programs. In the development of progress reports, however, good financial reports are a first and easier step. Budget-Treasury Regulation I, Revised, constitutes an excellent beginning.

### *Evaluation of Programs*

THE over-all evaluation of programs by the President or the Bureau of the Budget tends not to be explicit because of the lack of agreement among the people and groups of the country as to what programs are to be most highly valued. In the President's annual budget messages to Congress, for example, there are broad statements of policy, but seldom any statements as to the relative value of programs. Similarly, the budget document itself *reflects* evaluative judgments, but it consists mainly of technical appropriation language and itemized statements on the various objects of expenditure, such as personnel, communications, travel, supplies, etc., rather than material justifying the proposed expenditures.

In striking the balance between the conflicting interests of special groups and the national welfare, the President's policy may take two general forms: (1) a ceiling may be placed upon all federal expenditures and allocations made to federal agencies within that over-all ceiling; or (2) the total estimates of governmental expenditures may be based primarily upon the basic needs of the nation on which there is general agreement, the agencies receiving allocations in accordance with the extent to which they serve those basic needs. Regardless of the over-all policy pursued, special groups vie with each other for the maximum fulfillment of their

interests through the federal government. The practice of establishing ceilings over expenditures to conform with total revenues anticipated from the existing tax structure prevailed from 1921 to 1933. Relative prosperity prevailed and federal taxes were even reduced. During the first years of the depression little or no attempt was made to change this policy in order to meet changing fundamental needs. In marked contrast, since 1933 total expenditures have been based upon primary needs and no hard and fast monetary limits have been placed over governmental expenditures.

During the defense and war efforts a number of special attempts outside the regular budget have been made to evaluate government programs. All of them have taken for granted that the war must be won at any cost, and have been concerned primarily with the group of activities referred to as "non-defense," "non-war," or "non-essential." Among these was the *Report on Non-Defense Expenditures for the 1942 Budget*, submitted by the Director of the Budget on October 15, 1941, to the Senate Finance Committee pursuant to the Senate Resolution of August 28, 1941, which described the possible distribution of cuts conformable to proposed over-all reductions in the federal budget of one billion, two billion, and three billion dollars. Also included among these efforts was the report entitled *Trends in Federal Expenditures from 1933-1943* (House Document 870, 1942), in answer to charges made in the reports of the Tydings Committee and the Byrd Committee that the President was not reducing non-war expenditures. Though each of these reports claims to be descriptive rather than evaluative, each of them, like the annual budget, cannot escape an *implicit* government-wide evaluation of federal programs. An evaluation of federal programs has also been implicit in the establishment of priorities among federal agencies for obtaining personnel in Budget Bureau Circular No. 388, February 26, 1942, and Circular No. 400, September 25, 1942. Though the Director of



the Budget is nominally a member of the Joint Committee for the Reduction of Non-essential Federal Expenditures and members of his staff testified before the Committee, he refrained from endorsing the recommendations of the first Report of the Joint Committee (known as the Byrd Committee Report). This report, therefore, cannot be construed as an evaluative statement endorsed by the Budget Bureau.

### *Reports to Congress on Legislation*

*Authorities.* Important as authorizing legislation may be as the basis for appropriations, no specific authority for the review by the Director of the Budget of legislative proposals originating in Congress or in the departments and establishments is contained in the Budget and Accounting Act. The first budget circular with regard to legislation (No. 49, issued December 19, 1921) indicated that such authority was implicit in the Budget and Accounting Act and cited Sections 201, 203 (a) and 206. It stated that Section 206, which says that no request for appropriations shall be made to Congress or any committee thereof by any officer of a department unless requested by either House of Congress, relates only to estimates. (A broader interpretation of this section was made by Witte.<sup>1</sup>) However, the circular goes on to say:

It is necessary for a full compliance with its spirit that all requests for recommendations for legislation, the effect of which would be to create a charge upon the public treasury or commit the Government to obligations which would later require appropriations to meet them, should be first submitted to the President before being presented to Congress.

Interestingly enough, no executive order has ever delegated any authority to the Director of the Budget regarding the review of proposed legislation. Executive Order No. 8248, II, 2 (e), however, summarized this function of the Bureau of the Budget in the phrase "to assist the President by clearing

<sup>1</sup> E. E. Witte, "The Preparation of Proposed Legislative Measures by Administrative Departments," Report to the President's Committee on Administrative Management, No. V (Washington, 1937), p. 53.

and coordinating departmental advice on proposed legislation and by making recommendations as to Presidential action on legislative enactments, in accordance with past practice." The current basic authority for the review of legislative proposals lies in Budget Bureau Circular No. 390, June 1, 1942, which constitutes the latest revision of Circular No. 49. Circular No. 390 provides that before reports or oral testimony on all types of pending or proposed legislation is presented to Congress, the relationship of the legislation to the program of the President must be ascertained from the Budget Bureau. There is no specific prohibition upon the departments and establishments against reporting to Congress legislation initiated by them which is not in accord with the program of the President.

*Actions.* Budget Bureau Circular No. 49, December 19, 1921, which constituted the original basic authority of the Director of the Budget for his review of proposed legislation, was concerned broadly with two types of legislation: (1) legislation which originated in Congress and was referred to the departments for technical and advisory review; and (2) legislation which originated in the departments and was suggested to Congress for consideration and passage. Furthermore, it limited the legislation requiring submission to that involving "a charge upon the public treasury." Later, Budget Circular No. 273, issued in 1929, exempted private relief measures from review by the Budget Bureau.

In providing that reports to Congress be made by the heads of departments and establishments, the procedure with regard to legislation has been in marked contrast to the handling of the budget estimates. Section 206 forbids the submission of estimates to Congress by federal agencies. In the case of legislation, the Budget Bureau's recommendation is attached to the report submitted to Congress by the departments. Presumably the departments may make such reports as they see fit. As a matter of fact, however, the departments have tended to

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shape their own reports in terms of the advice received from the Bureau of the Budget. Thus, if the proposed legislation were not in accord with the financial program of the President, the chances were that a favorable report would not be made.

In 1934 a distinction developed between the "financial program" and the "policy program" of the President. The National Emergency Council Memorandum of December 13, 1934, required that proposed legislation other than that involving appropriations was to be cleared only through the National Emergency Council for approval of the President. Such legislation was then reported to Congress without the review of the Budget Bureau. There was some difficulty in determining what legislation involved appropriations, and it was alleged that several departments had made favorable reports to Congress on such legislation without submitting them first to the Budget Bureau. In fact, Witte's study of the legislation reported to the 74th Congress revealed that the most important legislative proposals were not submitted either to the Budget Bureau or to the National Emergency Council. Consequently, the National Emergency Council Memorandum of April 23, 1935, was issued to reaffirm that the requirements of Budget Bureau Circular No. 49 as amended by No. 273 were still in effect, and that reports on all legislation creating a charge upon the public treasury had to be submitted to the Budget Bureau.

Toward the end of 1935 the situation was somewhat clarified in Budget Bureau Circular No. 336, December 21, 1935, which specified that in accordance with an agreement reached at the meeting of December 17, 1935, of the National Emergency Council, all reports on proposed legislation were to be submitted to the Budget Bureau. They were to be reviewed by the Budget Bureau to determine their relation to the "financial program of the President," and they were to be reviewed by the National Emergency Council for their relation to the "policy program of the President." If both policy and

finance were involved in the proposed legislation, the reports were to be reviewed jointly by the Bureau and the Council. In this circular also for the first time provision was made for the clearance of prepared testimony on pending or proposed legislation to be presented to congressional committees by the federal agencies.

By 1937 the joint arrangement with the National Emergency Council was discontinued. The President's Committee on Administrative Management had recommended that the Budget Bureau take over the National Emergency Council duties with regard to legislation.<sup>1</sup> Budget Bureau Circular No. 344, November 15, 1937, specified that all legislation, except private relief legislation, was to be reviewed by the Bureau of the Budget. There was no longer any distinction between the financial and the policy programs of the President. Recommendations made by department heads to Congress following clearance with the Budget Bureau were to specify simply the relation of the proposed legislation to the "program of the President." The National Emergency Council itself was abolished in Reorganization Plan No. II, effective July 1, 1939. If there had been any doubt as to the scope of the reviewing function of the Budget Bureau prior to the depression, there was none after 1937. By 1942 there were no longer any exemptions from Budget Bureau review of proposed legislation. Budget Bureau Circular No. 390, June 1, 1942, amended the procedure on the submission of proposed legislation for review to include private relief legislation. In order to coordinate the review by the budget examiners of the large volume of legislation, a division of legislative reference was included in the reorganization of the Budget Bureau in 1939.

### *Federal Reorganizations*

*Authority to Undertake and to Study Reorganizations.* Neither the President nor the Director of the Budget has had from Con-

<sup>1</sup> Report of the President's Committee on Administrative Management (Washington, 1937), p. 20.

gress any continuing authority to undertake substantial reorganizations of the federal government, either with respect to auxiliary services or with respect to program execution. The Budget and Accounting Act may be said to provide implicit authority and at least the opportunity for making such changes in the organizations of federal agencies within the framework of congressional legislation as may be achieved through the approval of budget estimates. From time to time acts have been passed by Congress authorizing the President for specified periods of time to undertake certain types of reorganization. In the last decade the most important of these have been the reorganization authority of the Economy Act of 1932 as amended by the acts of March, 1933, the Reorganization Act of 1939, and the War Powers Act of 1941. The authorities in these acts have been clearly given to the President, and no formal delegations have been made to the Bureau of the Budget by executive order. The reorganizations undertaken pursuant to these acts have been expressed in executive orders or reorganization plans having the equivalent force of executive orders.

The Budget and Accounting Act, however, does provide in Section 209 basic authority for the Bureau of the Budget to undertake reorganization studies of the departments and establishments at the direction of the President to enable him to determine what changes should be made in (1) the existing organization, activities, and methods of business of the departments and establishments, (2) the appropriations thereof, (3) the assignment of particular activities to particular services, and (4) the regrouping of services. The results of these studies are to be reported to the President, who may in turn transmit such reports to Congress with his recommendations. Section 11 of Executive Order No. 3578, November 8, 1921, delegated authority in reorganization matters to the Director of the Budget, but restricted it to matters of "routine business." In later years Section 209 has

been given the broader interpretation, as for example in the Report of the President's Committee on Administrative Management and in Executive Order No. 8248.

*Activity of the Budget Bureau in Administrative Planning.* From 1921 to 1933 the activity of the Budget Bureau with respect to both studies of reorganizations and reorganizations themselves centered about matters of routine business or auxiliary service. Just as the coordinating boards became the instrument of the Budget Bureau for the supervision of auxiliary services, so too they undertook studies of the organization of such services. Each of the boards was made up of representatives from each of the departments and establishments engaged in the particular business activity for which the board was established. The Inter-Departmental Board on Simplified Office Procedure, for example, had a membership of persons concerned with office management. Important problems were studied, and each representative was expected to make the analysis for his agency. The results were then discussed at the meetings of the board, from which there emerged a consensus as to the most efficient organization, form, or procedure for executing various auxiliary service transactions. About twenty-eight Budget Bureau circulars were issued as the result of the work of this one board alone, instructing the departments and establishments in the use of more efficient and uniform forms and procedures. The members of the several boards were also joined loosely in the Business Organization of the Government and similar organizations in the field services. Since their own representatives had participated in the discussions of the changes and were themselves most directly affected, the agencies readily accepted the recommendations of the boards.

The work of the coordinating boards duplicated to a certain extent the work of the Bureau of Efficiency, which had been formally established in 1916. This condition was noted from time to time both by Congress and by students of administration. By

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<sup>1</sup> House fiscal year

Executive Order No. 6166, June 10, 1933, both the coordinating boards and the Bureau of Efficiency were abolished. Inasmuch as the Budget Bureau already had sufficient authority for the making of administrative studies under the Budget and Accounting Act, no transfer of functions was necessary.

During the period from 1933 to 1940 the Budget Bureau had the sole authority for engaging in administrative planning and research; yet for lack of staff little could be done. Although it is not always viewed in this light, the structure of coordinating boards, sometimes called the Coordinating Service, was for all practical purposes a part of the Budget Bureau from 1921 to 1933. The total staff detailed from the departments and establishments by 1932 included 112 persons at a cost of \$417,000 per year, stationed both in Washington and in the field.<sup>1</sup> After 1933 the Budget Bureau, with a staff of about 35 to 40, was left to handle both the budget and administrative research at a time when the federal government was undergoing an unprecedented expansion in organization. So acute had the problem of reorganization become that a committee of private persons—the President's Committee on Administrative Management—was designated by the President in 1936 to study federal reorganization. In addition, a congressional committee also engaged the Brookings Institution to make a study of federal organization.

Though no formal delegations were made to the Budget Bureau by the President pursuant to the reorganization acts of 1933, 1939, and 1941, it is safe to assume that the Budget Bureau, though quite undermanned, played an active role in most of these reorganizations. Of the entire President's office, only the budget examiners of the Budget Bureau had any sort of detailed knowledge of federal organization. They had secured this knowledge through continuous review of the departmental budgets. No other office attached to the President or

anywhere else in the federal government was in a better position to make recommendations. The primary disadvantage of the Budget Bureau until very recently had been the lack of a staff which could specialize on reorganization problems and make long-range studies of federal organization. This need has been fulfilled by the development of the Division of Administrative Management since 1939.

Important as are the Congressional acts authorizing the President to reorganize the federal service, the many opportunities to achieve more efficient organization through the review of the budget must not be overlooked. The congressional reorganization acts, subject to their own limitations, merely repeal the framework of legislation which must ordinarily be observed by the President. The several large federal organizations which exist pursuant only to board legislative acts may be examined by the Budget Bureau as a part of the review of their financial requirements. (This review of methods and structure incidental to the regular review of budget estimates supplements the specific and intensive studies of government structure and individual agencies by the Division of Administrative Management.) In the course of reviewing financial requirements the Bureau inevitably is confronted with questions of organization as well as program and frequently in the course of the give and take of the review process a more efficient and economical organization may be proposed and agreed on, and estimates may be approved in terms of such an organization. Though the agreements are informal, they may involve the regrouping of services among bureaus, the rearrangement of a bureau's field service, or the centralization or decentralization of certain functions. This type of examination may affect the operations of organizations having thousands of employees and spending millions of dollars. In every action of this sort the Budget Bureau must execute its government-wide supervisory responsibilities in harmony with the directions from the Presi-

<sup>1</sup> House Hearings on Treasury Appropriation Bill for fiscal year 1934, November 30, 1932, pp. 566-570.



dent to the department or bureau head for the execution of the particular program. At the same time, the departments and bureaus must regard the Budget Bureau as the President's primary agent for holding them to their own responsibilities.

### *Supervision of Auxiliary Services*

*Authorities.* No mention is made either in the Budget and Accounting Act or in succeeding legislation of the responsibilities of the Budget Bureau for auxiliary services. The Budget and Accounting Act contained the basic authority for the review of both work programs and business administration. Similarly, the Anti-Deficiency Act of 1906 and Section 16 of Executive Order No. 6166, issued pursuant to the Act of March 3, 1933, do not distinguish between matters of "business administration" and the "substance" of programs. Executive Order No. 3578 and the Budget Bureau circulars establishing the coordinating boards, however, stressed matters of business administration, largely owing to the views of General Dawes and his successors, General Lord and Colonel Roop.

*Actions.* The Budget Bureau has never performed auxiliary services in the past and does not do so at the present time except for its own internal organization. That such central service may be performed by an agency at the government-wide level was shown by the manner in which the Treasury Department took over the direct accounting job for the Emergency Relief Program of 1935 and subsequent years. However, the Budget Bureau is much too far removed from the operating line agencies to be of direct service to them in maintaining their organizations. Though it does not perform auxiliary services, it has practiced in varying degrees throughout its history over-all supervision of many such services.

During the period from 1921 to 1933, the Bureau under the impetus of General Dawes engaged in perhaps the most comprehensive supervision of auxiliary service it has ever undertaken. Procurement and the liquidation of surplus supplies were Dawes's chief

concern. After World War I huge inventories, especially of the Army, the Navy, and the Shipping Board, were left as surpluses. To ensure the effective disposition of these surpluses among federal establishments, a chief coordinator of general supplies was established by Budget Bureau Circular No. 15, July 27, 1921, to head up the General Supply Committee, then already operating in the Treasury Department. Executive Order No. 3578, November 8, 1921, conferred authority to the Chief Coordinator over all of the coordinating boards, subject only to the general supervision of the Director of the Budget. Within the office of the General Supply Committee there were established the Federal Purchasing Board, the Federal Liquidation Board, and a Board of Contracts and Adjustments. The organization of the coordinating boards dealing with real estate, motor transport, traffic, personnel, and office procedure extended far beyond procurement matters.

A number of other auxiliary service matters, supervised by the Bureau of the Budget but not handled through the coordinating boards, included the Permanent Conference on Printing, created in specific legislative authority in the Resolution of May 11, 1922; establishment of standard government travel regulations; and negotiation of reduced hotel rates for traveling government employees throughout the country. In addition, certain miscellaneous activities were handled, such as reporting the number of telephone instruments in use, directing federal agencies to use the army radio network to save communication expenses, and determining standard allowances for living quarters.

After the abolition of the coordinating boards and the transfer of all procurement functions to the newly established procurement division in the Treasury Department in 1933, the Budget Bureau's concern with auxiliary services until 1940 was mainly with personnel matters. It was the principal agent of the President in executing the provisions of the Economy Act of June 30, 1932,

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extended in the Act of March 3, 1933, which involved for the most part a great variety of personnel matters. For example, employees were to be furloughed for one month during the fiscal year; retirement pay was reduced; promotions were suspended; vacancies occurring during the fiscal year were not to be filled without individual Presidential approval; retirement was compulsory in certain cases; overtime pay was restricted; and the like. With the reversal of these policies in the era of numerous emergency agencies after 1933, the Budget Bureau participated in the establishment of a register for the transfer of emergency employees and for the re-employment of persons unemployed because of reductions in force and later because of the reorganizations under the Reorganization Act of 1939 (see Budget Bureau Circulars No. 332, 334, and 349). During this time certain standard activities with respect to personnel were continued, such as the standardization of allowances for quarters.

After 1940 the Budget Bureau continued to supervise numerous personnel matters, such as the establishing of uniform hours of duty, the staggering of working hours, and directions to the departments and establishments to furnish their employees' income statistics to the states. An elaborate study was undertaken of the maximum allowances of furniture and furnishings to be provided for government-owned personnel quarters. At the request of the House Appropriations Committee the Budget Bureau studied and promulgated instructions on a uniform system of salary advancement. Moreover, pursuant to the authority conveyed directly to it in the recent pay-raise bill (Public Law 821, 77th Cong.) the Budget Bureau in Circular No. 408, December 24, 1942, requested from federal agencies a detailed report on the effect of the pay raises.

A variety of other auxiliary services of the federal government were examined in considerable detail by the Division of Administrative Management, including specifications on printing and binding and the sav-

ing of paper; instructions for the standardization of identification of government-owned motor vehicles and for the conservation of motor oil used in government vehicles, for the full utilization of typewriters, and for the survey of surplus printing and duplicating equipment; and an extensive survey on warehousing facilities in cooperation with the procurement division of the Treasury Department. The federal agencies were also instructed to cooperate fully with the scrap rubber campaign. Traffic, freight, and travel have not escaped examination by the Budget Bureau. It established a central freight traffic service in the procurement division of the Treasury Department and instructed the departments and establishments to use this service for certain types of shipments.

#### *Advocative Role of the Bureau*

THE Budget and Accounting Act clearly placed the responsibility of presenting the national budget to Congress upon the President. According to its terms he was to be assisted by the Bureau of the Budget. During the past twenty-two years this presentation has consisted primarily of the formal transmission of the budget document accompanied by the budget message. The great responsibility of explaining and justifying the estimates for the many programs has been left to the departments and establishments. Neither the Director of the Budget nor any of his budget examiners responsible for the review of programs generally appears before the congressional appropriations committees to defend the estimates finally approved and presented to Congress by the President. The Directors of the Bureau in general have not made it a practice to discuss with the appropriations committees the general policies followed by the Budget Bureau in reviewing the estimates.

This manner of acting was not established by Dawes, for not only did he submit to Congress a detailed report of his policies, but he later appeared in person to discuss his policies before the House Appropriations

Committee. Furthermore, he felt that the close cooperation of the appropriations committees with the Budget Bureau was "indispensable to its proper functioning," although he was disturbed about the members who used and misused the budget solely for political objectives. Until rather recently, however, the Director as a rule has not appeared even to explain the estimates for the administration of his own bureau; as long as the Bureau was maintained as a small model of economy, this was hardly necessary. When the expansion of the Budget Bureau was proposed in 1938, however, Acting Director Bell did appear before the House Appropriations Committee. The discussion centered about the Budget Bureau itself and not about the policies or evaluation process followed in reviewing the budget. Under the present Director of the Budget much more extensive hearings have been held by the appropriations committees. The considerable reorganization and expansion of the Bureau have given the appropriations committees an occasion for questioning the Director more closely on its objectives and procedures in the review of the budgets of the federal agencies. As yet, however, insufficient information has been presented on this point at the hearings; members of the Budget Bureau do not appear regularly at them with the departments and establishments to explain the basis of the Bureau's decisions.

Because of the traditional policy followed by the Budget Bureau of not informing the departments as to the basis of its decisions on program policy matters, Congress has at times been irked. The departmental representatives have tended to respond readily to questions asked as to what estimates they presented to the Budget Bureau and they have also admitted that they did not know on what basis the estimates were revised by the Budget Bureau.<sup>1</sup> Thus, in spite of Section 206, the departments actually do submit

estimates at the request of Congress which have not been approved by the Budget Bureau or the President. It would seem that if the President is to secure more unified control over the budgets and the administrative management of federal departments and establishments, the Budget Bureau as his agency should defend the estimates in the budget which he submits to Congress each January.

### *The Bureau in Depression and War*

DEPRESSIONS and wars always put tremendous strain on governmental organizations. The Bureau of the Budget was not yet in existence during the crisis of World War I, but many of its early activities centered about the liquidation of war inventories. From 1921 to 1933 the organization of the Budget Bureau had been shaped to reflect the prevailing political views which favored restricted governmental activity. Since the emphasis of Dawes and his successors was upon supervision of business administration, little was done toward the objectives of general staff action, namely, the coordination, supervision, and control of the substantive programs of the departments and establishments. The result of these forces was a Budget Bureau organization with an average staff of about forty, aided by the Coordinating Service with a staff of about forty-five. It is no wonder, then, that the huge programs after 1933 overwhelmed it, for the traditions of twelve years could not easily be changed.

Macmahon, Millett, and Ogden in *The Administration of Federal Work Relief* conclude that the Budget Bureau in 1935 failed to realize its inherent possibilities in connection with the administration of the work relief program and that it played only a modest role, calling attention to interagency relationships but not supervising them. They offer two explanations for the condition: (1) that the Bureau was understaffed, and (2) that it was "too intimately connected with the Treasury Department in organization and point of view." During this period

<sup>1</sup> E.g., House Hearings on Agricultural Appropriation Bill for fiscal year 1941, pp. 237, 400, 412-416, 418-419, 785-788, etc.

the Works Progress Administration emerged as the primary organization in the administration and budgetary supervision of the work relief program. On a similar pattern, in the Department of Agriculture an Emergency Projects Committee, with a special administrative staff, was established apart from the Office of Budget and Finance to handle WPA.

Not until 1938, after the critical reports by the President's Committee and the Byrd Committee (the Brookings Institution Survey), was the Budget Bureau reorganized and its emphasis changed to give the review of programs primary importance. Matters of business administration, however, still play an important role, as pointed out in the discussion of "auxiliary services." With the arrival of World War II in 1939, unemployment began to be absorbed by a growing defense program. When WPA was no longer a focal point of policy differences and lost its power, both review of the estimates and of policy were reabsorbed by the Budget Bureau. The country was moving from one crisis to another. As the new crisis grew, however, the Budget Bureau continued to expand in accordance with the reorganization begun in 1938. It was also working from its new location immediately within the Executive Office of the President.

By the time the defense crisis burst into war, the Budget Bureau was in a much stronger general staff position than when the depression struck the nation. Such strength was essential to aid the President in supervising the numerous new war agencies, which heralded an unprecedented degree of government activity. Not only have the War and Navy departments undergone tremendous expansion, but the domestic economy has been redirected to supply the armies and navies and air forces of the Allies with men and materials. Total war has necessitated controlled distribution of manpower and materials, price ceilings, rationing, industrial and civilian mobilization, strengthened South American relations, feeding the Allies, and the like. Organizations such as the War

Manpower Commission, the War Production Board, the Office of Price Administration, the Office of Civilian Defense, the Lend-Lease Administration, and the Office of the Coordinator of Inter-American Affairs have been delegated vast authorities from the war powers of the President for accomplishing their objectives. It might seem that, as in 1933, the President might lose considerable control. With a strengthened Budget Bureau, however, he has had greater control than ever before and better assurance that his policies are being executed. The Bureau's effectiveness as a tool of administrative management is necessarily not as great in connection with programs in which policies are very unsettled.

*Public Works Programming.* The last depression and the present war have induced more general acceptance of the importance of the advance planning of public works. Use of federal public works to stabilize the business cycle was not a budgetary concern from 1921 to 1931. With the country facing a huge unemployment situation, the Employment Stabilization Act of 1931 began a trend in the use of public works to reduce unemployment and raise the economy from the low phase of the cycle. The federal works programs from 1933 to 1940 had to be undertaken without sufficient time for the evaluation of the usefulness of the projects, providing employment being the immediate need. This situation revealed the necessity for advance planning of public works. The trend culminated with the transfer in 1939 of the authorities under the Employment Stabilization Act of 1931 to the National Resources Planning Board and with the issuance in 1940 of Executive Order No. 8455 directing a joint execution of public works programming by the National Resources Planning Board and the Budget Bureau. The regulations under this executive order have provided for the integration of the planning and budgeting of federal public works construction, thus removing one of the major criticisms directed at the employment stabilization program during the pe-



riod from 1931 to 1940. In the revamped program the National Resources Planning Board engages in the long-range planning aspects, but these plans are so drawn that budget estimates can be derived more readily from them. The Budget Bureau has specific responsibility for public works in the current fiscal year and for some two or three years beyond. The opportunity for intimate contact between the National Resources Planning Board and the Budget Bureau in this program has been noted by Charles E. Merriam<sup>1</sup> and A. N. Holcombe,<sup>2</sup> and the principles governing their respective roles have been endorsed by such men as Donald C. Stone.<sup>3</sup> The growing feeling that the economic dislocations caused by the present war will necessitate an interim program of public works after the war has given stronger support to a closer integration of advance planning and budgeting in the future.

#### *Organization of the Bureau*

*Physical Location.* Section 207 of the Budget and Accounting Act established the Budget Bureau as an agency to assist the President, and it receives its primary meaning in that relationship. As discussed above, in administrative supervision and coordination of federal administration the Budget Bureau is the most significant staff agency of the President. Nevertheless, circumstances surrounding the passage of the Budget and Accounting Act caused it to be located physically in the Treasury Department although not responsible administratively to the Secretary of the Treasury. Perhaps the most important result of its association with the Treasury Department was the interchange of personnel. Daniel W. Bell, now Under Secretary of the Treasury Department, was Acting Director of the Bureau of the Budget from 1934 to 1939, and the "Treasury viewpoint" which he

brought with him to this job drew both approval and criticism—approval from A. E. Buck<sup>1</sup> and criticism from Macmahon, Millett, and Ogden. Although from the very beginning the special relation of the Director of the Budget to the President was recognized by the Congress and the Treasury Department, the Budget Bureau was not transferred to the Executive Office of the President until 1939, in Reorganization Plan No. I.

*Relation to the Treasury Department.* With respect to the handling of the Budget, the relation of the Director of the Budget to the Secretary of the Treasury and of each to the President, though not defined in the Budget and Accounting Act, was early clarified in Executive Order No. 3578, November 8, 1921. The former was to deal with the expenditure side of the Budget, involving the administration of the federal programs, whereas the latter was to be responsible for the revenue side, involving ways and means of financing the cost of such programs. Both officers were ordered to cooperate fully and to transmit their respective estimates concurrently to the President. Presumably, only the President was to decide whether taxes or government programs were to be increased or decreased to balance the budget. This divided delegation meant that though the Director of the Budget presented a consolidated statement of estimated revenue and expenditure to the President in order that the President might formulate the "business policy of the Government," actually he was to be responsible only for the expenditure side of the Budget. Executive Order No. 8242, II, 2 (a) indicates, however, that one of the functions of the Budget Bureau is "to assist the President in the . . . formulation of the fiscal program of the Government." This language gives support to the idea that the Director of the Budget must consider not only the expenditure but the revenue side of the budget. The Secretary of the Treasury is in charge of the financing activities of the government, but he, the Director of the Budget, and others advise the

<sup>1</sup> Charles E. Merriam, "The National Resources Board," 1 *Public Administration Review* (May, 1941).

<sup>2</sup> Holcombe, *op. cit.*, pp. 229-230.

<sup>3</sup> Donald C. Stone, "Planning as an Administrative Process," address to the National Conference on Planning, May 12, 1941, p. 10.

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*Divisions of the Bureau.* The Bureau of the Budget carries on its work through five principal divisions, which exchange information and work in close cooperation with one another. The largest of these divisions is the Estimates Division. This division carries on a major share of what this article has called the "general staff" function of the Bureau, by its review of estimates and its determination of apportionments and general reserves. In the period from 1921 to 1938 the Estimates Division was very small and it simply compiled the budget document; the budget examiners were not then in this division, and the present "group heads" were called "assistants to the director," and were immediately responsible to him. At present each of some half dozen group heads within the division are responsible for reviewing the budgets of a particular group of related federal agencies. Assisted by their principal examiners they are in continuous contact with the departments and establishments in Washington and the field.

The other four divisions work in close cooperation with the Estimates Division. The Legislative Reference Division coordinates the review of proposed legislation by the Budget Bureau, the Estimates Division being its principal source of advice as to the effect of legislation upon the program of the President, since its staff has the most detailed knowledge of the federal programs and organizations. The Division of Administrative Management is now primarily responsible for studies in administration and the central supervision of "business administration," replacing in a stronger way the old Coordinating Service. The Fiscal Division now as in the past handles the huge mechanical job of compiling the budget document. More recently it has been undertaking long-range studies of public finance problems, as, for example, the coordination of federal, state, and local financing policies. The Division of Statistical Standards, formerly the Central Statistical Board, coordi-

nates the statistical work of the departments and establishments, and provides a specialized government-wide advisory service to the director of the Budget on the statistical phase of all government programs. It had an early counterpart among the coordinating boards in the Federal Statistics Board. The cooperation of these divisions on all the budgetary activities described above enables the Bureau of the Budget to play a highly effective role in making recommendations and decisions affecting the substance and administration of federal programs.

### Summary and Conclusions

VIEWING the past history of the Bureau of the Budget, one is impressed with what Macmahon and Millett in *Federal Administrators* called the "fulfillment of tendency" in federal organization. The stress of the early budget directors upon the "advisory staff" and "auxiliary service" features of the role of the Budget Bureau occurred simultaneously with a great retrenchment in federal activities after World War I. Its small size elicited no criticism as it proceeded to establish the mechanical foundation for the federal budget, and as dollar-a-year men from private business and coordinating boards assisted in putting the routine business of the federal government on an efficient basis. The depression of the early thirties, however, made extensive action by the federal government imperative. As federal organizations multiplied in complexity and size, the need of the President for general staff assistance for supervision and coordination grew, and created a "tendency" in this direction. Yet it was not until 1938 that this tendency began to be fulfilled by changes in the organization of the Budget Bureau. The need for the Budget Bureau to assume more responsibilities and consequently to have more personnel became evident and was a major point of comment in the Brownlow and Brookings reports. By 1943 this need had been met by a more than ten-fold increase in the staff over the average size of about forty in 1921-1938.

Though the Budget Bureau is now emerging as a general staff organization in response to the needs of the President for assistance in managing the sprawling federal governmental structure, its general staff role is not yet generally recognized. As Macmahon and Millett have said, "The system must be recognized in order to be avowed; it must be avowed in order to be perfected." What, then, is this general staff role of the Budget Bureau which must be recognized, avowed, and perfected?

The closest approximation to this concept developed by students of administration is the "general staff" concept of Urwick, according to which general staff officers not only assist the executive in coordination and command, but are actually supposed to take over much of the detail pursuant to broad decisions of policy by their chief, so as to free him for the more personal aspects of leadership and to allow him to evaluate the key men in his organization personally. Furthermore, general staff officers are responsible for the integration of the technical and administrative services, i.e., auxiliary services, as well as such staff functions as planning, with the line functions. This concept obviously cannot be applied as strictly to the federal government as to a large military organization, from which Urwick derived it. Yet the Director of the Budget approaches Urwick's concept of the general staff officer in so far as he supervises and coordinates under broad delegations of authority from the President.

It needs to be recognized and avowed in federal administration that there must be two kinds of delegation along the lines of authority and responsibility, mutually recognized by the federal agencies and by the Budget Bureau: (1) delegations to the departments and establishments for the execution of programs; (2) delegations of authorities to supervise, to coordinate, and to see that the delegations to the departments and establishments are properly executed. About the first type of delegation there is general agreement by students of administration

and officials. In the case of the second, practice has again preceded theory in that agencies such as the Budget Bureau have of necessity assumed responsibility for supervision and coordination. Most students of administration, however, regard this authority as "inherent in the person of the executive" himself and not to be delegated to any one. Moreover, federal departments and establishments argue against supervision by the Budget Bureau on the ground that the authorities to carry out their program have been delegated by the President to them and not to the Budget Bureau; therefore, the Budget Bureau is not to "interfere." But for the executive, as Rowland Egger has indicated, "power is not enough." The executive must have the means for assuring himself that the authorities which he has delegated to the departments and establishments are properly executed.

The most effective tool for this purpose is the budget, and in federal administration the principal agency for the President in budgeting is the Budget Bureau. Through reviewing the requests of federal agencies for funds, the Budget Bureau has been able to evaluate the programs proposed for carrying out the objectives of congressional acts and the policies of the President. Not only has it been able to review critically the estimates in support of programs, but it has also had the opportunity to eliminate conflict and duplication, to check performance, and, if necessary, to recommend to the President revisions of certain delegations of authority to the federal establishments. Moreover, through the apportionment system, as economic and other conditions changed during the fiscal year, it has "saved" or placed in general reserve funds no longer necessary. Under Executive Order No. 8455 the advance planning of public works is being integrated with the line function through budgeting. The Bureau has also aided the President in handling the activities closely related to budgeting, namely, the review of pending or proposed legislation and the function of administrative plan-

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ning. Moreover, it has assumed responsibility for the standardization of auxiliary services and the integration of such services with line functions.

The present war has demanded greater activity from the federal government than ever before. The President, consequently, has had to assume much greater responsibilities. To undertake the immense programs gearing the nation to total war he has had to delegate extensively to the federal departments and establishments. After these numerous broad delegations of authority have been made, how is the President to be assured that the programs are properly administered, if not through some agency such as the Budget Bureau? The "span of control" principle obviates direct, continuous, and detailed reporting by all of these establishments to the President. It would seem

that if the vast federal administrative structure is to be held together, the Budget Bureau must play a strong role, using the federal budget as an instrument of administrative management. The Director of the Budget, as general staff officer, not only must assist the President in the coordination and management of the federal government, but must also be sympathetic with the objectives of the many programs. In turn, those charged by the President with important programs must not lose sight of their responsibilities to him and their integration with, rather than independence from, the rest of the federal administrative organization. To a large extent the ultimate effectiveness of the President in administrative management depends upon the success of the Budget Bureau as a general staff agency in his Executive Office.

# Government Questionnaires and the Federal Reports Act of 1942

By LUTHER STRINGHAM

*Statistical Standards Office, Office of Price Administration*

**D**URING 1942 government questionnaires were an important political issue. The belief became widespread that government surveys are seriously interfering with the war effort, that businessmen are submerged by a flood of report forms, and that the burden on the public far exceeds the value of the information sought by the government. Congressional committees were appointed to consider the problem in relation to small business enterprise and to economy in government. "We all know," said the President, "that there have been too many complicated forms and questionnaires."

Placing the United States on a war-time basis has brought a larger proportion of the population than ever before into direct contact with the federal government. The war program has required extensive regulation of individual and business life, and this regulation has made necessary the collection of an imposing amount and variety of information, much of which has been obtained by means of questionnaires and reports.

Increased government control has been a burden to many individuals and establishments, and questionnaires have provided something tangible to criticize. Other criticism has stemmed from reluctance to forsake business practices highly profitable in a period of large purchasing power. But legitimate objections have been raised to many features of the federal government's reporting requirements. Duplicate requests have come from various agencies—sometimes from within a single agency. Forms often show amateurish construction and design

and inadequate appreciation of industry conditions. Many questionnaires require complex analyses and the filing of detailed records not usually available.

The standards of federal agencies with long experience were often not maintained by the newly organized and rapidly staffed agencies which have been required to obtain the information necessary to formulate the various war programs. Resulting experimentation, though probably inevitable, has been costly, both to the government and to the public.

## *The Federal Reports Act*

**T**HE purpose of the Federal Reports Act of 1942 is to reduce the burden upon the public resulting from government questionnaires and reports. The Act sets forth, as the policy of Congress, that federal agencies shall collect only information essential to the prosecution of their proper functions, that this necessary information shall be collected with a minimum burden on business (especially small business) at a minimum cost, without unnecessary duplication, and that the collected data shall be tabulated in such a manner as to insure maximum usefulness.

To achieve these objectives the Bureau of the Budget is given the responsibility to control the data collection activities of the federal agencies.<sup>1</sup> The Director of the Budget is instructed to investigate the informational

<sup>1</sup> The following agencies are exempt from the provisions of the Act: the Bureau of Internal Revenue, the Comptroller of the Currency, the Bureau of the Public Debt, the Bureau of Accounts, the Division of Foreign Funds Control of the Treasury Department, and any federal bank supervisory agency.



needs of the various agencies and their methods of obtaining data by the use of questionnaires, forms, or similar means. He is directed to coordinate their information collecting programs and to foster maximum use of existing files and facilities. When two or more departments or offices are interested in a particular type of information, he is to designate a single collection agency. He can instruct one agency to make its informational files available for the use of another.

Executive departments and independent agencies are forbidden to conduct or sponsor the collection of information calling for answers to identical questions from ten or more respondents until the Director of the Budget has stated that he does not disapprove the proposed plan. Agencies, instrumentalities, or employees of the United States are included as respondents in this requirement, if the information is to be used for statistical compilations of general public interest. Subject to Budget Bureau control are applications and other administrative report forms, questionnaires, telegraphic requests, and schedules; requirements for the establishment or maintenance of records for use in the collection of information; and instructions, regulations, or other directives affecting the content, preparation, return, or use of a report.

The Federal Reports Act thus makes an important addition to the Budget Bureau's control of the programs and administrative activities of the executive branch of the government. When coupled with the authority over expenditures and administrative management already centralized in the Budget Bureau, this control is likely to have a far-reaching effect on federal administrative procedure. The Act is the outgrowth of long discussion and effort to meet a need that has become progressively more acute as government regulation has been extended.

#### *Previous Coordination Efforts*

THE need to coordinate the government's statistical activities and to reduce the reporting burden on the public has been recog-

nized for many years. In 1908 Theodore Roosevelt appointed an Interdepartmental Statistical Committee "for the purpose of promoting uniformity of statistical methods and results, preventing duplications, rendering possible closer cooperation, and keeping the statistical work of the government abreast of the most modern methods." This committee, consisting of representatives of the executive departments and the Interstate Commerce Commission, was under the direction of the Secretary of Commerce and Labor. It concluded its activities in 1909 with a general report on the problem of coordination.

During the first World War the government's demands for information were great, and a Division of Planning and Statistics (later known as the Central Bureau of Planning and Statistics) was organized in the War Industries Board to meet the urgent need for control of the Board's statistical work. "With the multiplication of questionnaires by every government agency," said Bernard Baruch, "and the increasing complaint from manufacturers over the growing burden of answering them, more rigid action seemed necessary." Accordingly, in the summer of 1918, a questionnaire section was organized within the Division of Planning and Statistics to review all questionnaires sent out by any branch of the Board.

In 1919 the functions of the Central Bureau of Planning and Statistics were transferred to the Bureau of Efficiency, which, since 1916, had been concerned with the problem of duplication of statistical programs in the various branches of the government service. The work of the Bureau of Efficiency in this field culminated in 1922 with a *Report on the Statistical Work of the United States*. The report recommended that the collection, tabulation, and dissemination of nonadministrative statistics should be centralized, to a large degree, in a reorganized Bureau of the Census, to be known as the Bureau of Federal Statistics.

The recommendations of the Bureau of Efficiency were not accepted by Congress,

and little further attention was given to problems of coordination until 1931, when a Federal Statistics Board was established under the Bureau of the Budget, located at that time in the Treasury Department. The Federal Statistics Board, which functioned without staff and on an advisory basis, was replaced in 1933 by the Central Statistical Board.

The Central Statistical Board was established by executive order under authority of the National Industrial Recovery Act "to plan and promote the improvement, coordination, and economical operation of the statistical services pertinent to the recovery program." The Board received statutory recognition in July, 1935, and a new Central Statistical Board was authorized to function for a period of five years under the direction of a Central Statistical Committee, consisting of the secretaries of four executive departments—Treasury, Labor, Commerce, and Agriculture.

In 1939, under the President's Reorganization Plan I, the Central Statistical Committee was abolished and the Central Statistical Board was incorporated in the Bureau of the Budget in the Executive Office of the President. The Board functioned until July, 1940, when its responsibilities were taken over by the Budget Bureau's newly organized Division of Statistical Standards. Since 1935 the work of the Central Statistical Board and the Division of Statistical Standards has been under the direction of Stuart A. Rice, and has had the active cooperation of such well-known statisticians as Morris A. Copeland, O. C. Stein, Mordecai Ezekiel, Isador Lubin, and E. A. Goldenweiser.

The Central Statistical Board and later the Division of Statistical Standards (until the passage of the Federal Reports Act) functioned primarily in an advisory and informational capacity. To facilitate the exchange of information and to inform interested parties with respect to statistical programs in process of formulation, an annual *Directory of Federal Statistical Agencies*, a bi-monthly

*Report to Federal Statistical Agencies*, and a *Daily List of Forms Received for Approval* have been issued. Assistance has been provided in the formulation of major statistical surveys. Technical advice was given the Census Bureau, for example, in the planning of various censuses of business, unemployment, and population. Assistance has also been given in the establishment and organization of statistical research and statistical clearance offices. Recommendations were made, for instance, with respect to the delineation of responsibility within the Department of Commerce between the Census Bureau (data collection) and the Bureau of Foreign and Domestic Commerce (analysis and interpretation).

In 1938 the President directed the Central Statistical Board to make a report "on the statistical work of the Federal agencies, with recommendations looking toward consolidations and changes which are consistent with efficiency and economy, both to the Government and to private industry." The Board's report, submitted at the end of the year, contained an immediate program for improved coordination of federal statistical reporting activities. In its survey of some eighty-eight agencies the Board discovered an almost complete lack of "clearly established rules regarding final responsibility for the adoption of a form or its use to collect information." It found that in few agencies was there maintained "even a substantially complete and up-to-date central file of the forms in use." The Board found frequent duplication of legal authority upon which reports are based, excessive restrictions upon the use by one agency of "confidential" returns received by another, and general failure or inability to locate, sort, and transcribe data in the files of other agencies.

To overcome these weaknesses, the Board recommended (1) that agencies be required to keep uniform records of questionnaires and report forms; (2) that public officials be relieved of statutory responsibility for collecting information that is already on file; (3) that confidential information be made

available to the agencies; the response information that state the agency was agency actions were in the Fe

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available, with proper safeguards, to other agencies; (4) that respondents be relieved of the responsibility of supplying the same information to more than one agency; and (5) that statutory authority be provided to enable the Board to designate a collection agency when the interests of more than one agency are involved. These recommendations were incorporated, for the most part, in the Federal Reports Act.

#### *The Review and Clearance of Forms and Surveys*

THE review of forms and surveys was one of the major activities of the Central Statistical Board. From 1933 to 1939 over 3,700 statistical forms were submitted by the originating agencies prior to initiation, and the Board made recommendations with respect to their planning and use. This review function was continued by the Division of Statistical Standards. Since 1936 federal agencies have been required to submit all important surveys for review, although until the passage of the Federal Reports Act, they were under no compulsion to follow the recommendations made. (In certain cases, however, the Division of Statistical Standards might refer a project considered objectionable to the attention of the Division of Estimates for consideration in relation to the agency's budget.)

The importance of the review process is increased by the Federal Reports Act, and a sponsoring agency is required to obtain the Budget Bureau's assent, commonly referred to as "clearance," before initiating a reporting plan or adopting a form for use. Section 5 of the Act provides that

No Federal agency shall conduct or sponsor the collection of information, upon identical items, from ten or more persons (other than Federal employees considered as such) unless, in advance of adoption or revision of any plans or forms to be used in such collection, (a) the agency shall have submitted to the Director such plans or forms, together with copies of such pertinent regulations and other related materials as the Director shall specify; and (b) the Director shall have stated that he does not disapprove the proposed collection of information.

Before submitting a reporting plan or form for clearance under this section, the sponsoring agency is expected to determine whether it exceeds the limits of reasonable need or practical utility. Attention is to be given to the number of respondents, frequency of collection, and the number and difficulty of the items included. An examination of each item of information requested must be made with reference to the central purpose of the plan or report form.

Whenever it is the intention to cover an entire class of respondents (for example, all shoe manufacturers or all department stores), the sponsoring agency is expected to explore the possibility of using only a part of the class. If for some reason it is necessary to cover an entire class of individuals or establishments, the possibility of using a simplified procedure for some (such as small business enterprises) is to be considered. Those sponsoring a survey or reporting plan are also expected to consult with all others within the originating agency having a legitimate interest in the project or experience with the problem.

When a plan or report form is submitted to the Division of Statistical Standards for review and clearance, it must be accompanied by (1) a memorandum of information showing the nature of the survey or report, the type and number of individuals or establishments in the class, and the total possible respondents; (2) a statement explaining the proposal and justifying its use in relation to an operating function, research program, or other activity; and (3) evidence that the requirements with respect to reasonable need and practical utility have been adequately considered.

Upon the basis of the materials supplied, and any subsequent discussions which seem necessary, the Director, or his representative, is expected to reach a decision consistent with the intention of the Act. Clearance may be withheld for various reasons. He may decide that a proposed survey is not closely enough related to the proper functions of the sponsoring agency or that the reporting



requirements are unnecessarily burdensome or costly from the point of view of the public or the government. He may discover weaknesses of a technical nature which make a questionnaire unacceptable. He may find, after investigation, that the information is already available and make necessary arrangements for its release. If two or more agencies have reporting needs in common, he may designate a single collection agency, prescribing its functions, and forbid other agencies to perform those functions.

Until the Director is of the opinion that the clearance requirements have been met satisfactorily, approval is withheld. When the Director is satisfied that the conditions have been met, an approval endorsement, which must appear in a conspicuous place on the form or schedule, is assigned. For a questionnaire or report used in connection with a single-time survey the endorsement includes a Budget Bureau approval number and an expiration date beyond which the form may not be used. For periodic reports, application blanks, and similar forms, the use of which is more or less continuous, a number is assigned but no expiration date is provided. Reporting requirements contained in regulations, orders, instructions and the like, are given the following citation: "This (regulation, order, instruction, etc.) has been approved by the Bureau of the Budget in accordance with the Federal Reports Act of 1942."

#### *Problems of Centralized Control*

**I**T is not yet apparent what effect the controls set up by the Federal Reports Act will have either on the quantity and quality of federal questionnaires and forms or on the operating programs of the various agencies. Certain problems can be discussed, however, which relate to the value likely to accrue from centralized control both to the government and to the public.

One basic problem results from the division of responsibility with respect to reporting requirements between the Budget Bureau, on the one hand, and the agencies

subject to control, on the other. Under the Federal Reports Act the Budget Bureau has what might be called a negative responsibility. A reporting requirement may not be issued unless the Director of the Budget has indicated that he "does not disapprove" the proposal. Assignment of an approval number means simply that no basis for disapproving the project under the terms of the Act has been discovered. When a project is "cleared," the Budget Bureau does not take the position that the project is either statistically adequate or administratively sound. If a public reporting feature, because of an error in judgment, is discovered to be unwise, the Budget Bureau has no official responsibility, even though the project has been "cleared."

The originating agency, on the other hand, is officially accountable for the operation of a program, including the forms used under it, and if an administrative plan functions improperly the operating agency alone is officially accountable. To take a hypothetical case: suppose the Civil Service Commission, because of an over-complicated application and examination procedure, were unable to furnish the executive departments with satisfactory personnel. The responsibility for this situation would rest solely with the Civil Service Commission even though all the forms used carried Budget Bureau approval endorsements. Or, to take another example: suppose the Selective Service System should adopt more procedural forms than are administratively feasible and, in consequence, fall behind in the supplying of manpower for the armed forces. The responsibility for this failure would reside in the Selective Service System, not in the Bureau of the Budget, even though all the forms used carried approval numbers.

An operating agency is responsible for the development of a program which carries out a directive of the President or a policy of Congress. It works out the administrative, technical, and legal aspects of a program and makes specific plans for its initiation. Normally this process involves a variety of policy

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decisions and the translation of those decisions into administrative procedures, of which the preparation of forms is a part.

The income tax forms, though not subject to control by the Division of Statistical Standards, provide an example of this process. After extended consideration by Congress a revenue act is passed. The Bureau of Internal Revenue translates the act into a revenue collection program. Interpretations of various sections of the law are made and the multitude of administrative and enforcement problems, for both the national and field offices, are worked out in detail. One part of this process is the development of forms and instructions and making arrangements for their printing, distribution, and processing. It is evident that the forms and instructions can be prepared in final form only after questions of policy, interpretation, and procedure have been answered.

Important problems arise, therefore, which relate to the timing and to the scope of review. At present the Division of Statistical Standards does not have a large enough staff to participate actively in the developmental stages of a program requiring the use of questionnaires, reports, and other forms. Consequently, it becomes the responsibility of the sponsoring agency to decide at what stage in its development a reporting plan is to be submitted for review. This responsibility is made specific in the regulations issued under the Federal Reports Act: copies of a plan or report form must be submitted "in time to allow for adequate review and the adoption of any necessary alterations (including coordination or integration with other plans and report forms) without delaying the operating program to which the plan or report form relates."

The question of the appropriate time to submit materials for review is, therefore, of concern to operating officials. Either plans must be submitted in a developmental status, thus subjecting inconclusive plans to consideration by the Budget Bureau (and other offices if interagency issues are involved) or submission of the materials must be postponed

until the entire plan is ready for operation, which necessitates a delay until a review analyst has had an opportunity to acquaint himself with the policies, law, precedents, decisions, and other considerations which led to the adoption of the reporting features.

The problem of timing is an important consideration depending upon the scope of review, which can vary from a limited consideration of form design, terminology, and arrangement to a basic consideration of the function and policies of an agency. The extent to which the Federal Reports Act subjects an entire administrative program, of which forms are but a part (and often an incidental part), to review is not clear. It is apparent, however, that the major portion of government forms are of an administrative character—income tax reports, Selective Service questionnaires, applications for ration books—and that an attempt to achieve any great change in their quality or number will require a basic consideration of all operating plans.

Questions related to timing and scope of review can be resolved, to some extent, by the formulation of standards of public reporting to which the agencies can adhere while in the process of developing their programs. As yet there are no well-defined and generally accepted standards of data collection or principles with respect to type, number, or complexity of questionnaires and forms to guide officials in meeting their informational needs. Because of the widely varying needs of the various agencies and the different types of programs within an agency, such standards are extremely difficult to formulate. Principles of reporting must be considered in relation to the uses of questionnaires and forms.

Questionnaires are used in making statistical surveys by agencies with no other operating responsibility than research—for example, the Census Bureau, the Bureau of Labor Statistics, and the Bureau of Agricultural Economics. During the past thirty years there has been an increasing demand

for information relating to economic changes and sociological conditions. The result has been an increase in social statistics, and the development of indexes of industrial activity, wholesale prices, wage rates, and the like. Preparation of such data has required the answering by individuals and business establishments of a considerable number of questionnaires and reports.

A second use of questionnaires is in making what may be called "exploratory studies." Such studies are of a research nature but are most commonly made by agencies with other operating responsibilities. When an administrative program—such as the control of communications, security exchanges, or prices—is in the process of formulation, it is often necessary to obtain current information with respect to trade practices, market conditions, and the like. Often there is no full understanding of exactly what information is required. Frequently, therefore, these studies are inadequate with respect to conciseness, precision of definition, and clearness of purpose. In many cases the data obtained are not tabulated or collated in any systematic way and are frequently put to little concrete use. The value derived from such studies is in providing guides to administration and in avoiding errors of planning.

A third use of questionnaires and forms is in the procedural control of an administrative program. Administrative forms have already been discussed briefly. So far as number is concerned, they are the most important type. Their purpose is seldom to provide information for statistical purposes, although statistical data are often a by-product, but rather to provide uniform treatment of persons subject to government control—the collection of taxes, the drafting of manpower, and the issuance of ration books.

The development of standards is considerably different for each of these three uses of questionnaires and forms. Research projects lend themselves fairly well to an objective consideration for reporting and statis-

tical adequacy. Critical attention can be given to sampling techniques, statement of questions, and definition of terms. Use in final summaries and indexes of each item of information collected can be ascertained from the worksheets. Public and government use of the final results can be explored in cases where there is reason to believe that a series has outlived its usefulness. Duplication with the same or similar data can be discovered by comparison with other available series, and duplication of coverage can be ascertained by comparison of mailing lists.

The development of standards is much more complicated and the review process is much more subjective with respect to exploratory studies. While they should be made with due regard to clarity, conciseness, and technical construction, their value may have little or no relation to statistical or technical adequacy—sampling, definitions of terms, adequacy of instructions, etc. An operating official, by a cursory examination of the returns, may be able to avoid mistakes costly to both industry and the government. Suppose a war agency is required to sponsor the conversion of an industry producing certain civilian goods to the production of machine guns. Because of lack of adequate available data or technical advice, an exploratory study might be made to discover (1) the kinds of machines being used in plants already producing machine guns and (2) the kinds of machines used in the types of establishments being considered for conversion. The decision to approve such a project will rest, to a large degree, upon subjective factors—upon confidence in the ability of those initiating the study, upon an evaluation of the problem for which an answer is being sought, and upon an estimate of the consequences which might result without the survey.

While a critical review of exploratory studies by a disinterested outside agency is no doubt beneficial, with approval being withheld in many cases, the danger of misjudgment will always be great in terms of cost, of delaying the formulation of a pro-

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gram, and of the stifling of initiative. The danger is especially great in view of the fact that objective standards are difficult, if not impossible, to formulate.

Since the review of administrative forms must necessarily be concerned with the administrative programs of which they are a part, the preparation of objective standards which operating officials can follow will be a monumental undertaking. While consideration can be given to consistency of definition, simplicity of presentation, adequacy of instructions, and the like, it may be impossible to provide adequate guides to the formulation of administrative programs.

The authority placed in the Budget Bureau by the Federal Reports Act will give the Division of Statistical Standards adequate opportunity to study and regulate the quantity and quality of government questionnaires, forms, and other reporting requirements, to provide effective machinery for locating and facilitating the exchange of data, to formulate standards for the guidance of operating officials, and to develop consistent methods of review and analysis. The achievement of these objectives, even in some measure, will meet a need long and urgently felt, both by government officials and by the public.

# A New Frontier for Employee-Management Cooperation in Government

By EMMETT R. RUSHIN

*Chief Personnel Officer, National Youth Administration*

ONE of the most interesting and worthwhile developments in public administration during the past year has been the transplanting of the labor-management committee idea from industry to government. Basically, the employee-management committee, as it should be called in government, is nothing dramatically new. It is a combination of the old suggestion-box type of employee suggestion plan and several modern ideas of employee-management cooperation; the latter components have added enough vigor and novelty to an old idea to account for a significant contribution to public service employee relations.

The introduction of the employee-management committee into governmental agencies followed, and was perhaps derived from, the basic provisions of the War Production Drive plan for industry initiated by Donald M. Nelson, chairman of the War Production Board. This provided for the establishment of management and labor committees to give effect to the President's direction of February 27, 1942, "to bring home to labor and management alike the supreme importance of war production." The initial proposal for the formation of such committees in government agencies originated in an employee-management conference within the office of the administrator of the Federal Security Agency. Following that conference Mr. Paul V. McNutt on May 18, 1942, directed a memorandum to the heads of all constituent agencies within the Federal Security Agency, announcing the establishment of an employee-

management committee, the "Victory Council," to consider suggestions of employees for the furtherance of the Agency's contribution to the war effort, and suggesting that the constituent units of the organization establish similar councils. As one of these constituent agencies at that time (it was transferred to the War Manpower Commission by executive order on September 17, 1942), the National Youth Administration established its Victory Council on June 8, 1942. After approximately ten months of operation of this council there are certain observations to be made concerning the organization and functioning of the employee-management committee idea in relationship to government agency administrative problems.

## *Organization of a Victory Council*

THE size and composition of the Victory Council is dependent upon the usual considerations which apply in the formation of any representative committee group within a formal organization structure. It is desirable to have management and employee representation equal, the chairman being one of the management representatives. At the departmental level each constituent agency should be represented in the departmental council. In order to avoid having the council unduly large, however, it may be necessary to have employees throughout the department represented by several union representatives chosen by the unions, regardless of whether they hold positions within the parent agency or in one of the constituent agencies.



At the constituent agency level the problem of organization is simpler. For effective operation membership of the council should be limited to eight members; a six-member council is ideal for purposes of expediting discussion and for ease of assembling members.

Victory Councils at successively lower administrative levels within departments and within constituent agencies should be integrated with the higher councils, both through having lower councils represented in the higher councils and through permitting the former to refer to the latter suggestions sufficiently broad in scope to be applicable to the entire department or to all government agencies.

The council gains maximum potentialities as an implement for employee-management cooperation when its membership is carefully selected. Employees should be represented by their best leadership, and management by representatives who are respected within the organization, who have authority to act, and who represent a cross-section of management responsibilities. The organizational relationships of personnel offices have accounted for the fact that the administrators have turned in many cases to their chief personnel officers for initiation of the council and for active leadership in its activities; in several instances the personnel officer has been chosen as the logical person to serve as chairman.

The employee group should be represented on the council by members of an employee union or similar formal employee organization. Such persons are accustomed to negotiating with management on questions involving special interests of employees; they have steady access to large segments of employees; and they provide an organization through which projects can be publicized and effected. While a theoretical case can be advanced for selecting general employee representatives, this is undesirable from a practical standpoint. In the first place, the formation of the council organization is unduly complicated when special

elections of such representatives must be held. In the second place, general employee representatives have no permanently available channel through which to advise or consult employees, and no organization framework within which they can be held responsible and accountable for council activities—a most essential factor. These considerations make it unwise for an agency without a formal employee organization of any kind to attempt to form an employee-management council; such an agency had best employ the straight employee-suggestion plan supported by an awards committee appointed by the agency head. An agency whose formal employee organization does not include all its employees may feel that unorganized employees should be represented on the council. However, the union organization usually tries to represent all employees from the point of view of the advancement of projects involving employee interests, and for the reasons that have been cited this type of agency also will do better to restrict council membership to employee organization representatives.

#### *Initiation and Promotion of the Council*

THE effectiveness of a Victory Council will parallel the degree to which it is accepted by management from its inception as a practical method with which the agency can put all its resources to work for war purposes. Its objectives should be explained to all employees during the initial stages of its formation. This is best done by a formal memorandum followed by a meeting of all employees at which the council is explained and the participation of all employees is urged by the agency head. The basic objectives of the council should be explained clearly, the identity of the council members and their alternates announced, and a description given of the way in which suggestions should be submitted and the method to be employed in evaluating them and determining suitable awards. The employees should be told that they will be given maximum credit on efficiency ratings for note-

worthy suggestions accepted and used and that a good suggestion will entitle an employee to first consideration for promotion to positions in higher grades for which he is qualified. It is important also to remove any misconceptions which may block employee acceptance of the plan and hinder its effective operation. The following points should be stressed: (1) the work of the council is considered official agency business, so that employee participation, as well as official council meetings, may be conducted during regular working hours; (2) if the application of a suggestion should result in the elimination of the job of the employee making it, he will be given another job equally good, or if possible better; (3) suggestions made by supervisors or by employees under their supervision resulting in reduction of personnel or of volume of work when applied in their units will not be the cause of their losing either grade or salary status.

In order to keep the Victory Council idea dramatized to employees, the council should consider issuing a bulletin periodically. There is practical value also in special bulletin boards to permit all council announcements, the official bulletin, and colorful posters illustrating council objectives to be posted in an established, well identified place. As various refinements to internal procedures of the council are developed the employee group should be notified; they should also be told periodically about awards made by the council and be kept aware of the projects sponsored by the council which have demonstrated their usefulness.

#### *Relationship between the Council and Supervisors*

A sound plan will take cognizance of the relationship between the employee and his supervisor as the most important single consideration underlying an agency policy of encouraging suggestions from employees. For this reason, particular stress should be placed upon the principle that suggestions

made by employees to the Victory Council shall in no sense replace or take precedence over the normal obligation of the employee to cooperate with his supervisor in improving work operations in their own organization unit. Employees and supervisors alike should understand the Victory Council as an organization designed primarily to encourage suggestions that are (1) broad enough in scope to demand over-all agency consideration, (2) smaller in scope but such that their application cuts across responsibilities of more than one organizational unit, or (3) pertinent to operations or work conditions in a unit other than the one in which the employee is working.

When an employee submits a suggestion of a type which should normally be discussed and settled between him and his supervisor, the council should ascertain whether he has approached his supervisor with it. If not, in many cases it is preferable simply to return the suggestion to him with the recommendation that he take the matter up with his supervisor. Another procedure is to discuss the matter in the presence of both employee and supervisor, so that the employee may be educated on the point of proper relationships with his supervisor at the same time that the application of the suggestion is settled. If, however, the suggestion is one which the supervisor has refused to consider, or has rejected, then the council has a special task cut out for it. The employee must be protected in any event, particularly if the suggestion is a good one and should be used. All the facts in the case should be carefully presented to the head of the division or office in which the supervisor and employee are located and the responsibility left at that point for weighing the value of the suggestion against the possible overruling of the supervisor.

Some of the past efforts to establish employee suggestion plans have foundered on the difficulty of supervisors' seeing in such plans an effort to override their judgment as responsible parts of management. The task of avoiding this attitude on the part of su-

pervisors of worthy suggestions and making suggestions a challenge to supervisors as such work supervisors' functions and interests in the matter.

#### *Procedure*

ONE of the ways the Victory Council is routed to processing is by the NYA plan sent to the date, room, employee name, and a date noted in the file.

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supervisors while providing for the utilization of worthy suggestions rejected by the supervisors and for the protection of employees making such suggestions represents a real challenge to the employee-management committee. If its role is interpreted to supervisors as one of service to employees and supervisors alike, if it assumes no authority as such which transcends normal employee-supervisor relationships, and if it restricts its function to that of being an expeditor and interpreter for *all* suggestions, there is every reason to believe that the obstacles can in the main be overcome.

#### *Procedure for Handling Suggestions*

ONE of the first questions confronting a Victory Council is the determination of the way in which suggestions are to be routed to the council and of the method for processing them after they are received. The NYA plan provides for suggestions to be sent to the council headquarters bearing the date, room number, and name of the employee making the suggestion. Each suggestion is acknowledged when it is received, and a date stamp is placed on it and receipt noted in a card register.

Another method which has been employed by certain agencies is the serially numbered employee suggestion form. With a two-part form the employee may leave his name off the part carrying the suggestion, retaining the stub for identification purposes if the suggestion is used. With a three-part form the main section is devoted to space for the suggestion and a serial number; one stub carries the employee's name and the serial number, to be retained in the Victory Council files for identification purposes; and a second stub, retained by the employee, carries only the serial number. Aside from encouraging suggestions from employees who would not respond unless they could remain anonymous until their ideas were passed upon, the use of such forms has the additional advantage of dissociating the employee's name from his suggestion during the entire process of

evaluating and investigating the practicability of the suggestion.

Several different methods have been used by Victory Councils for testing the practicability of suggestions. One of these involves the simple procedure of referring the suggestion direct to the division, office, or unit head having jurisdiction over the subject matter or administrative function most nearly related to the purpose of the suggestion. There are two objections to this method: (1) suggestions are not always confined in their application to one organizational function; (2) a substantial preliminary investigation should be made of most suggestions before they are recommended by the council to management, and neither the council nor the division or office head should be burdened with this function.

The NYA Victory Council handled this matter by establishing four fact-finding committees composed of employees who are not members of the council, with one member of the council designated for liaison between each of these committees and the council. Each committee is concerned with suggestions which fall into one of four categories: (1) employee activities and morale, (2) civilian participation, (3) staff utilization, and (4) utilization of materials, equipment, and facilities. All suggestions received by the council are read briefly and, if practical enough for further consideration, are routed to the appropriate liaison member of the council. The latter outlines council recommendations for implementation of the suggestion and forwards it, plus his own recommendations, to the fact-finding committee. After the committee members have made all the investigations deemed necessary they submit a report of their findings and recommendations through the liaison member to the council.

#### *Administration of an Awards Plan*

THE various employee suggestion plans now in effect among government agencies have used three methods of giving awards: the cash award, meritorious within grade

salary advancements, and citations of merit. Each has individual advantages and disadvantages, and it is necessary to choose the one which best fits the methods employed to evaluate suggestions.

The cash plan is flexible in that it permits considerable latitude for making the award somewhat commensurate with the value of the suggestion. Critics of this plan, however, make the point that cash awards have the cold effect of straight payments of money and do not place sufficient emphasis upon the prestige values contained in recognition of the employee contribution.

The major argument in favor of the meritorious within grade salary advancement system is that it does, if carefully administered, combine the elements of monetary award and appropriate recognition for meritorious performance. Its principal disadvantages are that it can be used only for the exceptionally good suggestions; it is not as flexible as the cash award; and its origin in law makes for certain technical difficulties in administration.

The awarding of citations or certificates of merit is undoubtedly sound from the standpoint of recognition of meritorious performance. The main difficulty with the citation system is its lack of adaptability; if citations are used for the small idea as well as for the important one, their prestige value is of doubtful significance in motivating continued suggestions from employees.

Both cash awards and citations have the disadvantage of being temporary. The meritorious within grade salary advancement, on the other hand, has continuous value with respect to both money and prestige.

The use of meritorious within grade salary advancements as awards can be strengthened by adding certain features to the awards plan to offset their disadvantages. One of these is combining it with the citation plan by giving citations for small-scale suggestions that are accepted and making an accumulation of such citations lead to the award of a meritorious within grade advancement. In addition, the plan may be

supported by the adoption of a merit-point system to provide for objective consideration and equitable grading of suggestions.

The awards plan used by the National Youth Administration employs meritorious promotions supported by a merit point system. Numerical values are assigned to adopted suggestions under three separate categories: (1) From one to three points are awarded an idea on the basis of its degree of practicability. All suggestions must stand the test of this category before being measured in the two remaining categories. (2) From one to four points are awarded with respect to the suggestion's effect upon morale, efficiency of operations, and saving of money and manpower. The sum of the numerical values accorded an idea under these first two categories is then multiplied by (3) one to four points assigned under the third category, scope of application. The accumulation of eleven points is tentatively set as deserving of a meritorious within grade increase.

The Awards Committee of the NYA Victory Council, composed of the four liaison members, administers the merit point system subject to the guidance and advice of the entire council. After suggestions have been returned to the council with the recommendations of the fact-finding committees, the council (1) passes the suggestion to the Awards Committee immediately if the suggestion has already been put into practice; (2) formally presents the suggestion to the division or office head concerned if it has not already been put into practice, referring it to the Awards Committee after it has been accepted by the part of the agency concerned with its use; (3) acknowledges to the employee the action of the Awards Committee on his suggestion, telling him definitely what disposition has been made of his idea and that a specified amount of merit points or a meritorious within grade increase has been earned; (4) acknowledges also suggestions which have been decided to be impractical; these are not, of course, referred to the Awards Committee at all.



### Conclusions

A PROGRESSION of frontiers must be passed from the old-fashioned "suggestion box" concepts on through to an enlightened type of employee participation that is soundly integrated with management planning. Consequently, there is considerable room, both inside and outside normal administrative processes, for experimentation with employee participation in certain phases of management. With several different approaches being made to the matter of encouraging and utilizing properly a broader type of employee participation in war activities of government agencies, it is not possible, and for that matter not logical, to build up the employee-management committee idea as either the only way or the best way of doing the job. However, it is pertinent to note that recognition has been accorded the employee-management com-

mittee plan by the President's Committee on Deferment of Federal Employees, which included as a collateral recommendation in its report of March 10, 1943, the following statement:

We recommend that all Federal departments and agencies institute, under the supervision of the personnel officer or other appropriate ranking executive, management-employee suggestion committees which shall hold regular conferences on methods of maximizing efficient operation.

The Victory Council grew out of war-time necessity, but its application should be useful in peace time as well. A great deal of good can be salvaged from simple techniques developed in war time which in normal times have been either ignored or inadequately exploited, and it seems likely that the employee-management committee idea will prove to be a real contribution to public service administration.

# Reviews of Books and Documents

## Political and Economic Governance

By Gardiner C. Means, Committee for Economic Development

BUSINESS AS A SYSTEM OF POWER, by ROBERT A. BRADY. Columbia University Press, 1943. Pp. xx, 340. \$3.00.

DR. BRADY's study, *Business as a System of Power*, is a pioneer volume in a field that needs intensive cultivation. It applies the basic concept of political science—the concept of power—to the analysis of the business world which has customarily been analyzed in economic terms. By this device it brings into new focus many points of the modern economy and sharpens the problems of political and economic governance. It is likely to be the forerunner of many volumes which combine the use of both the concepts of economics and those of political science in the analysis of human behavior and thereby create a true science of “political economy.”

Dr. Brady's book, while formally divided into three parts, really divides into two only partially related sections. The first is primarily concerned with the development and present status of “peak associations” of business enterprises in totalitarian and non-totalitarian countries. The second is concerned with power and power policies wherever business power may lie. Both these sections are developed against a background of aggregating economic power and the choice which this aggregation presents between the totalization of power and the democratization of power. Unfortunately, the relation between peak associations and the loci of economic power in different countries is not clearly brought out. As a result, an exaggerated importance is given to peak associations in countries where their importance is mainly potential, not actual, and the true seats of economic power are lost to view. This in no way undermines the basic thrust of the book but does tend to confuse its concrete application to countries in which the main loci of power are outside the peak associations—a fact

of particular importance in the United States.

The first part of the section on peak associations traces the development of business and trade associations and cartels in the totalitarian states, shows its culmination in the creation of peak associations, such as the National Federation of German Industry, and the integration of these associations with government as a part of the totalization of power. A chapter is given to this development in each of the four totalitarian states—Germany, Italy, Japan, and Vichy France.

The chapter on “The New Order for German Industry” outlines this development in Germany—a development which is fairly familiar to students of world affairs. This chapter has its value in the sequence and documentation which it gives that development and for its use of the mouth-filling term, “Spitzenverbände,” applied in the German literature to the peak associations.

The chapter on “The Fascist System of Colateral Syndicates” indicates the parallel development in Italy but emphasizes two factors not important in the German: (1) the partnership between the semifeudal landlords of the big land estates and the managers of big business and (2) the paternalistic program of industrial relations advocated by the Catholic hierarchy. The first is fairly well recognized; the second is often lost to sight. Yet, according to Brady, “the corporate organization of society became the official doctrine” of the Church “with the encyclical letter of Pope Leo XIII on ‘The Condition of Labor’ (*Rerum Novarum*) in 1891” (p. 63), while there was “wholesale acceptance of the tenets underlying the Fascist social program” in the Lateran Accord of 1929.” In the Encyclical *Quadragesimo Anno* Pope “Pius definitely rejected ‘free competition’ and the past ‘errors of the “Individualistic” school’ as the true guiding principles of economics” (p. 65). In the Fascist propa-

ganda, the "Corporate State" is made to trace in part from the papal encyclicals *Rerum Novarum* and *Quadragesimo Anno*. In spite of these two major differences a close parallelism is shown between the German and Italian development of a monolithic state.

The Japanese development of unifying economic powers is depicted as growing naturally out of the traditional institutions of Japan as the country absorbed industrialization but not liberalism. The concentration of economic controls in integrated groups appears to have gone further than in other countries and to involve to a much greater extent closely held family systems of control of a basically feudal character, yet with the modern cloak of the holding company. The story of the largest of these, the House of Mitsui, with its family constitution and its tremendous ramifications in Japanese industry, is a fascinating example of organization to concentrate and perpetuate economic power. The organization of business and trade associations and peak associations parallels somewhat the development in other countries, but as Japan never departed as far from feudal conceptions as did Germany and Italy, the associational process was closely allied to the government bureaucracy and moved by easy stages into a fully totalitarian "single-party state."

In France the development of business associations had progressed far by the time of its fall and provided a ready instrument for the totalizing of the country within the "New Order."

In the more or less parallel development in these four countries, five elements stand out: (1) The concentration of power in single enterprises, (2) the increasing ramification and importance of business associations, (3) the prevention or destruction of competing foci of power—labor organizations, cooperative associations, etc., (4) the shift in the central locus of power from the individual enterprise to the peak associations, and (5) the integration of these peak associations into the monolithic state hierarchy of power. This is essentially the process which threatens democracy, free society, and free enterprise throughout the world.

In his second section on peak associations, Brady considers the "Manufacturing Peak Associations within the Liberal-Capitalistic Scheme," tracing the development of such as-

sociations in England and the United States. Here his book is at its weakest, not for what it says but for what it leaves unsaid. He traces the development of big business and manufacturing associations in both countries, and particularly the development of the two central associations, the Federation of British Industries (FBI) and the National Association of Manufacturers (NAM). By citing this development, the utterances of these two peak associations, and the role of big business in the war programs of the two countries, the book gives an impression of a very close parallelism between the developments in the totalitarian and the democratic countries, with time and relatively minor further developments the only significant difference. In actual fact, the parallelism which does exist is mainly in the development of big business and the increased importance of business associations. Even here, the parallelism can be easily exaggerated. True, there is sufficient parallelism to justify considerable alarm, but there is not sufficient to suggest a great degree of inevitability. It is most unfortunate that, having drawn the parallelism, Brady does not equally clearly indicate the points at which the parallel fails—the feudal background of modern industry in Germany, Italy, and Japan against the democratic background in England and the United States; the very much smaller cartelization of industry; the relatively diffuse characters of the power of business associations, particularly in the United States (by no means can the NAM be regarded as speaking for American business); and the clear-cut example provided by the totalitarian states of a danger to be avoided. While it is valuable to have Brady's study, which assumes a degree of parallelism and makes use of available data to document it, constructive action requires also an attempt to *evaluate* the similarities and the differences in order that the latter may open up avenues of escape. It is the belief of the present writer that if such a study were made for the American economy, the role of big business would be found to be as important as Brady suggests, but that the role of business associations, and particularly that of the NAM, would be seen to be much less potent.

Furthermore, the crucial steps of shifting power from big business to the peak associations and of destroying other foci of power,

such as labor unions and farm associations, have not been taken; nor do they seem imminent. Even in the NRA, which was a step toward integrating governmental and industrial powers, organization was on the basis of participation by independent labor organizations constituting an independent focus of power. This is not to deny that many business men and business groups sought to minimize or destroy union organizations and union power; it is to deny that this fact was the dominant one in the NRA development.

That there has been a general movement toward more concentrated economic power in this country there can be no denying. The development of big business, of business associations, of labor unions, of farm associations, of cooperative associations, have all tended to reduce the atomistic character of the economy and reduce the role of the market in the process of decision-making. These moves toward concentration have resulted in the development of pyramids of power and foci of power in the economic field. Of these, there is no denying that the strongest pyramids are on the side of business. But they are neither alone nor unitary. And the business associations serve not as major foci of power but as one of the many channels through which the power of individual businesses expresses itself. Potentially, they might become major foci—today they are not.

In his final section, Brady deals with the trends in the exercise of business power—trends in business policy formation. He covers in successive chapters economic, social, and political policies. In this discussion, which centers on business power wherever it lies, it is notable that it is big business, not the peak associations, to which Brady gives the major attention—particularly in the United States.

In the economic sphere Brady finds policies oriented to monopoly, protection, and privilege. He lists as the major developments influencing policy formation the continuing increase in concentration, the dispersal of ownership, the creation of alliances amongst the major corporations through the joint development of particular products, the rise of family groups among the control of the corporate giants, and the shift in center of gravity to the heavy and the chemical industries. It is Brady's conclusion "that direction throughout

all this vast proliferating machinery [of business] is ever more clearly and insistently being centered in the hands of the corporate giants. It is not only their interests that dominate in the larger sphere of action, but their manners of procedure, their organizational patterns, their points of view, and their conceptions of the larger objectives of economic policy as a whole" (p. 247). Again, because Brady does not discuss the limitations on this exercise of power, he presents only a half truth. He draws no distinction between this exercise of power in the totalitarian and the democratic countries. That power, wherever it lies, tends to aggrandize itself is an axiom of political science. How far it can do so depends on the emergence of other and conflicting powers.

In the field of social policies Brady pictures the emergence of an authoritarian and paternalistic attitude on the part of business with public relations propaganda aimed at "harmony" between business and other economic interests through the acceptance of business dominance in policy making. While this hierarchical principle is consistent with the feudalistic background of the totalitarian states and that of the Catholic hierarchy, it is not consistent with democracy. The fact that such an attitude has emerged among some business groups in the American economy gives no measure of the significance for American institutions. The same point of view was extant in the colonial days, yet it did not prevent the adoption of an essentially democratic constitution.

In the political sphere, Brady's interpretation of the policy trend has already been suggested—it points to totalization of power and the creation of a monolithic state. According to him, the hierarchical and authoritarian attitude within the big business enterprise carries over into the relations in the economy as a whole and gradually, through "control over popular organizations," "militarization of employer-employee relations," "the evolution of a 'harmony-of-all interests' propaganda in which the employer appears as benevolent pater familias" (p. 317), through influence on educational policies, and, finally, through political control, business drives or is driven to enforce the authoritarian hierarchy on the society as a whole.

There can be no question of the pioneering



and stimulating character of this book. It lays before the reader a lucid and coherent theory of the behavior of business power. It is a theory which is clearly consistent with the developments in the totalitarian states with their recent feudal background. For the democratic states, Brady's choice of material gives the appearance of support to the theory so far as the earlier steps are concerned, but with the process of totalization still far from complete. Whether actual data would support the theory for the countries with a democratic background could be determined only through a study focused not on the parallelism but on an evaluation of the parallelism and the difference. His more limited venture serves the valuable purpose of posing and documenting the problem and pointing to the danger. This is a major contribution in itself and sufficient to make the volume essential reading for the student of current affairs.

It would be appropriate to close this review at this point, but the importance of the problems of economic power calls for some discussion which goes beyond the book itself. In his introductory chapters Brady asserts that "sovereign power is indivisible, and a house cannot long remain divided against itself" (p. 2). This is itself a totalizing assumption which goes to the very heart of Brady's picture of the future. Without getting into a semantic fight, we can recognize that in the modern democracy there are many pyramids of power—some political, some economic, some religious, some cultural. Of these, the political state is today the most important single pyramid, as was the church in the middle ages.

The presence of other pyramids of power does not in itself run counter to democracy. Furthermore, in the United States even political power has been divided between central and state governments in such a way as to dissipate powers in a considerable degree. Power as such, whether political or economic, is not inconsistent with democracy, and the increasing concentration of power need not lead either to an economic state or to totalization.

The concentration of economic power does,

however, present a major problem. Our political institutions were adopted at a time when concentrated economic power was not a major problem. They were designed to keep down the centralization of power, to keep the exercise of arbitrary power to a minimum, and to provide an avenue through which the ruled could exercise control over the ruler. Today economic power presents much the same kind of problem which political power presented to the framers of the Constitution. How can economic power be kept to a minimum consistent with technology? How can the arbitrary exercise of economic power be kept to a minimum? And how can the persons affected by the exercise of economic power participate directly or indirectly in the exercise of that power?

The competitive market has been lauded as a device which allows the consumer to participate in the decision as to what the producer makes, allows the worker to participate in that decision, and makes the economic process essentially democratic. To the extent that modern techniques of production do not allow competition to be effective in performing this function—that is, to the extent that economic power cannot be effectively controlled by the market—there is a problem of democratizing such power. How it is to be done, how far it should be done directly through government, how far participation can be brought about through the organization of conflicting interests and collective bargaining and policy making, or what other devices can be used—these are parts of the problem. Because it is essentially a problem of powers, it is one to which the political scientist and his tools of analysis are particularly fitted. Because it is a problem of power over economic policies, its solution requires the tools of economic analysis. The wedding of these two sciences might produce as fruitful results as, a generation ago, the wedding of the concepts of physics and chemistry which opened up a whole new field of investigation. It may well be that the true "political economy" of the future can provide the basis for avoiding the totalizing dangers to which Dr. Brady's book so vividly points.

## Federal-State Regulation of Utilities

By Abram P. Staples, Attorney General of Virginia

THE FEDERAL POWER COMMISSION AND STATE UTILITY REGULATION, by ROBERT D. BAUM. American Council on Public Affairs, 1943. Pp. 301. \$3.75

AS THE title indicates, the author has presented his views resulting from a study of the relations between the Federal Power Commission and the various state commissions charged with the duty of regulating the electric and gas utility industries. Special attention is given to overlapping functions and to conflicts which have arisen in the exercise of the respective federal and state regulatory functions. Mr. Baum, who is attached to the National Resources Planning Board, frankly states in the Preface to his book that his contacts have produced "a tendency to see intergovernmental relations more through Federal than local eyes." The writer of this review feels that, with equal frankness, he should state that his studies and thoughts in relation to matters of this nature have been incident to his duties as Attorney General of Virginia and have resulted in an opposite viewpoint on his part. The author apparently regards as national resources those bounties of nature which the state governments have always considered to be state resources. The difference in these fundamental concepts gives rise to opposing views with respect to the desirability of the regulation of such resources by centralized national authority or by local agencies of the state within which they exist. Generally speaking, it may be said that those favoring centralized federal control favor also more strict and intensive regulation than the state adherents, who believe that too much regulation is burdensome and seriously discourages and obstructs the proper development of these natural resources. State adherents believe further that the greater the degree of regulation the greater its cost, which must eventually be borne by the public through higher rates.

And there is yet another fundamental difference in viewpoint, especially with respect to water power resources. The advocates of centralization of control of this industry look with approval, as a by-product of that control, upon

the eventual ownership and operation of all hydroelectric plants by the federal government. This seems to be the general pattern of the Federal Water Power Act, with its provisions for amortization of plant investment out of the earnings of the licensee power company and the recapture of the plant by the government after fifty years at the value of the investment less amortization credits. On the other hand, those who believe in our system of private enterprise desire its preservation and are fearful of the extent to which such governmental entries into this field as the TVA and the Boulder Dam power projects may eventually lead. After all, what are the national resources of which the federal regulation and control is now being or may hereafter be "planned"? Do they include mines, oil, every kind of raw material produced from the land, or even the land itself? Is there any dividing line between the rivers and the other gifts which nature has made to mankind? If so, where is this line?

It is but fair that this statement of the respective backgrounds and divergent viewpoints of the author and of the reviewer of his work should be made in explanation of the reviewer's subsequent comments.

As Mr. Baum points out, there have been many conflicts between the Federal Power Commission and the regulatory commissions of the several states in connection with the administration of the Federal Act, but notwithstanding these conflicts much assistance and many benefits undoubtedly have accrued to the state agencies.

The first dispute of importance involved the question of the jurisdiction of the Commission to require licenses for the construction of hydroelectric projects in certain streams, the most prominent case being that of the Appalachian Power Company in New River, in Virginia. At the very outset the Virginia Corporation Commission and the state, by its Attorney General, protested against the Commission's assumption of jurisdiction over this stream, and the early commissions tentatively decided that it was not within the scope of the Act, holding that it was a nonnavigable stream and that the project would not affect interstate commerce. This de-

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cision was later reversed upon a change in the membership of the Commission, and protracted litigation in the courts ensued. The last decisions of the District Court and the Circuit Court of Appeals for the Fourth Circuit were adverse to the Commission's authority to require a license in these waters. The litigation involved not only the question of the navigability of the stream but the constitutional power of Congress to regulate matters incident to the generation of electric power but having no relation to navigation. The controversy ended with the sweeping decision of the Supreme Court of the United States which reversed the lower courts and held New River to be a navigable stream within the jurisdiction of the Commission. It also sustained the plenary power of Congress, through the Commission, to regulate such a project in matters having no relation to navigation. Mr. Baum expresses some possible doubt whether certain other powers which the Commission has held were delegated to it, especially with reference to natural gas companies in a later statute, would be held to be within the commerce power of Congress; but since his book was written the Supreme Court, in *Wickard v. Filburn* (decided November 9, 1942), has apparently held that when an Act of Congress purports to be an exercise of the commerce power, the court will not undertake to pass upon the validity of such exercise but will regard it as a political question solely for the determination of Congress itself. This and other cases decided by the Supreme Court recently would seem to remove such doubt as Mr. Baum entertained as to the power of Congress to delegate to the Commission powers incident to the regulation of matters affecting interstate commerce, however remotely.

The effect of these decisions will probably be to focus upon each state's senators and representatives in Congress, rather than upon the courts, such protests or objections as the states may desire to make concerning the jurisdiction and activities of the Commission. Such action on the part of the states may take the form of protesting any further extension of the Commission's powers or even of advocating a curtailment of those now possessed by it.

An instance of successful collaboration between the federal and state commissions has been the adoption of a uniform accounting

system for use by the utilities subject to regulation. This system has greatly simplified the problem of ascertaining original costs of a utility's plant and equipment, as well as its operating expenses, and has facilitated the determination of appropriate rates.

The outstanding field in which the work of the Federal Commission has proven of value to the state agencies has been that of investigations to ascertain important factual data attending the construction and operation of certain utilities subject only to state regulation. This assistance has been particularly effective in cases where the utility and its affiliated companies operate in several states and a state commission has had difficulty in obtaining access to records of such affiliates. An illustrative instance occurred in connection with service charges made by affiliates of the Associated Gas and Electric Company to its subsidiary in Virginia. The Federal Commission succeeded through court proceedings in requiring the production of records which disclosed valuable factual information bearing upon the reasonableness of such service charges, and this information was made available to the Virginia Commission. The Federal Commission also has compiled and furnished to the states other pertinent information, such as comparable power rates and costs in other localities, with a view to providing a yardstick or cost standard with which to compare rates under investigation. In some cases the Commission has made special investigations in a state at the instance of the state authorities to aid them in solving their problems.

The Commission has exerted strong efforts to induce the state regulatory bodies to engage in joint hearings relating to controversies which extended into both the state and the federal fields, but it has met with little cooperative response. This lack of response Mr. Baum attributes largely to the reluctance of the state agencies to acquiesce in any appearance of recognition of federal authority in their accustomed spheres—a reluctance accentuated by the fact that the Federal Commission in such joint hearing has, or at least assumes to have, the paramount authority to decide all questions involved, thus relegating the state commissions to a mere advisory status. The result has been that, except in the discharge of the Commission's function of making factual investigations



of utilities and supplying the state regulatory agencies with factual information and with evidence and testimony to establish the correctness and truth thereof, there has been continuous confusion, more or less serious, in the varying situations encountered. Since the advent of the New Deal, with its program of financial assistance, the Federal Commission has displayed marked aggressiveness in expanding its jurisdiction and powers into the regulatory fields formerly occupied exclusively by the states, and has met with great success in securing both desired congressional legislation and favorable judicial decisions sustaining its powers. This entry into the field of former state functions aroused the hostility of the state commissions, since they regarded it as an encroachment upon their powers and an interference with their customary exercise of them.

A few of the conspicuous instances in which confusion and conflict are stated by Mr. Baum to have developed will be noticed.

In connection with water power control, even the states and their political subdivisions are required to secure a license from the Commission in order to develop a water power project in the states' streams. This license subjects them to substantially the same control as private licensees, including recapture of the project by the United States. The states have regarded the extremely broad extent of the control of both private and governmental licensees as unnecessarily burdensome and as constituting a serious obstruction to the development of what the states have always regarded as their own water power resources. They have considered the injection of this hindrance to the present utilization of these resources not as a conservation of them but as a waste of power, because "the mill will never grind again with water that is past." And they have contended that utilization of the power through a project not measuring up to ideal standards is better than such waste; that future measures can be devised to remedy the defects of inadequate plants by additions or complete replacements as future events may justify. The state commissions regard as a source of confusion the regulation of water power rates by the Federal Commission in cases where the licensee also operates steam generating plants and the current from both is fed into a common transmission and distribution system subject to state regulation. They re-

gard such a setup as presenting an impossible situation. Mr. Baum seems to concur in this view.

Confusion also has resulted from the Commission's efforts to regulate interstate wholesale power rates, owing to differences of opinion as to what are "Public Utilities" and as such come within the jurisdiction of the Commission under Part II of the Federal Water Power Act; and also to the fact that the wholesale electric current is transmitted across state lines from an integrated system delivering power also for local intrastate use and the prices of all current sold must be considered as a whole from a rate-making standpoint.

Dissatisfaction has arisen with the Commission's control over mergers and security issues of certain public utilities. It is claimed by some that the exercise of this control has resulted in duplication of work, since both federal and state approval of such mergers and issues must be secured by the utility. However, the Commission's investigations into the affairs of interrelated companies operating in several states and the factual data and information thus secured and given the state commissions have been materially helpful to them.

To remedy the confusion and conflicts which have attended the operation of the existing joint regulatory systems, Mr. Baum recommends congressional legislation which will more clearly and precisely delineate the jurisdiction of the Commission. He indicates the view that it would be wise to materially expand the Commission's sphere of action, particularly as to utilities engaged in the transmission of a substantial amount of power or natural gas across state lines. But it would seem manifest that this would also result in confusion, because it would involve the Commission's fixing intrastate rates for such utilities while the state agencies would regulate those of other companies doing an exclusively intrastate business.

It seems to the writer that a much more satisfactory plan of cooperation would be to draw a clear line of separation between the functions of the Federal Commission and those of the state commissions. As Mr. Baum points out, cooperation between these state and federal agencies has been highly successful in the field of investigations. The facts as to original investment costs, operating costs, average costs, and other material facts relevant to rate-making



and other subjects of regulation, which the Commission might supply the state agencies, would provide the fundamental bases upon which the regulatory decisions of such agencies must rest. In truth, there can be no intelligent or fair regulation without possession of such facts. On the other hand, when the relevant facts have been clearly established, the fixing of the proper rate or a decision respecting other matters to be regulated becomes relatively simple. The chief problem which has confronted the state commissions has been inability to extend their investigative arms across state lines in order to acquire information necessary to determine many of the questions presented to them for decision. This has been especially true where the service charges or other activities of affiliated foreign corporations are pertinent subjects of inquiry. In cases where power or natural gas originating in one state is transmitted into another for distribution and sale, it is frequently essential to ascertain investment costs as well as operating costs in both states in order to formulate proper rates and charges.

The state commissions have also been handicapped by lack of funds in employing investigators with the high degree of training and ability required to obtain the most satisfactory results, which would not be the case if this investigative function should be allocated entirely to the Federal Commission. Such a centralization of this work would justify congressional appropriations sufficiently large to enable the employment of the best talent available. If the Federal Commission were charged with the duty of making all reasonable investigations with respect to these utilities which the state commissions might request and of furnishing the state commissions with the facts developed thereby and evidence to sustain these facts, the chief regulatory problem would seem to be solved.

Under this plan the actual rate fixing and other regulatory functions would be left ex-

clusively to the state commissions. Where the actions of the state commissions involve the interests of two or more states, Congress could delegate to them the power to act jointly in determining such questions as affect their joint interests. In the event, however, that they should be unable to agree upon a solution of any question or questions, the commission of any interested state should have the right to certify such fact to the Federal Power Commission, which should then be empowered to decide the questions in dispute. Under such a division of powers and duties between the Federal Power Commission on the one hand and the state commissions on the other, there would seem to be the least probability of conflicts and disputes as to jurisdiction and other matters, and a greatly improved outlook for harmonious and effective regulatory control over the utilities involved.

Mr. Baum's treatise discloses a prodigious amount of work, study, and thought. He gives an interesting history of the Federal Power Commission from its inception, relating the difficulties encountered in its early days and the successful struggles it has made to increase the scope of its activities and the efficiency of its work. The leading court decisions respecting its powers and holdings are reviewed clearly and at length, as well as the principal cases decided by the Commission itself. There is an excellent statement setting out in detail the procedure of the Commission in controlling rates of public utilities over which it exercises regulatory jurisdiction, and a discussion of the relative merits of the prudent investment and reproduction cost theories of valuation for rate-making purposes. It would unduly prolong this review to undertake to point out the many other excellent features of the work. Mr. Baum has made a valuable contribution to attorneys practicing before the Commission, as well as to students of the subject generally, in publishing the results of his labor and studies.

## Impartiality plus Integration

By George A. Graham, Bureau of the Budget

THE INDEPENDENCE OF STATE REGULATORY AGENCIES, by JAMES W. FESLER. Publication No. 85. Public Administration Service, 1942. Pp. vi, 72. \$1.50.

TO BEGIN with the title, and to calm the fears of anyone who has had his nose too close to the grindstone to keep in touch with what is happening, it should be explained at once that Mr. Fesler has not "passed a miracle." He is really talking about the "dependence" rather than the "independence" of state regulatory agencies. His observations of selected agencies (utility commissions, labor departments and boards, banking and insurance departments, liquor control boards, and professional licensing boards) in twelve states (Massachusetts, New York, Pennsylvania, North Carolina, Mississippi, Texas, Ohio, Illinois, Wisconsin, North Dakota, California, and Oregon) are an interesting and somewhat philosophical commentary on their operations in general.

One follows the discussion from the first page to the last with considerable interest to discover where the author is coming out. Assembled for inspection are a tom cat, a sheep, a shoat, a duck, a cocker spaniel bitch, and a bantam rooster. When their points are duly noted and their behavior described, the author concludes that they all add up to—a tom cat, a sheep, a shoat, a duck, a cocker spaniel bitch, and a bantam rooster. The earnest reviewer had just a little of the feeling of getting off the merry-go-round when he reached the last page and the last paragraph and read that "the deceptively simple philosophy, 'Each community gets the government that it deserves and desires,' summarizes our thesis."

Wasn't this where we started from about three generations back? And how do our philosopher's observations lead to that conclusion? The record presented is one of the operations of administrative agencies, not of the desires and deserts of the people of the twelve selected states. One might be so bold as to doubt the "thesis" even if it were relevant. It assumes an equitable automatism in our still crude scheme of representative government which is probably nonexistent, at least so far as any evidence goes,

in even a perfect scheme of representation. The hopeful speculation in the same vein that "the solution [of problems of liquor control] is probably worked out simply by the passage of time" also disturbs the reviewer, who finds nothing in the evidence presented, in the American scene, or in the reflections of John Calvin to indicate that time has any such beneficent function.

Leaving the measurement of what government any community desires to the statistologists who are swarming all over it, and assuming that their measurements mean something, it is still not entirely presumptuous for a man to ask how anyone can measure what government a community deserves. And aren't there just a few doubts still lingering here and there about the adequacy of the devices for measuring even the government which a community gets? Why be so quick to assume, without more convincing evidence, that the governmental product is the inexorable and just derivative of a community's moral qualities?

The study should not be judged by the concluding paragraph, however. The preceding 71½ pages are a straightforward and incisive analysis. They dispose effectively of the myth of independence and make a convincing argument for executive leadership in the field of state regulation. Within the limits which the author has set, the survey is an extremely useful and thoroughly competent piece of work—a contribution to the literature of public administration. If the final paragraph indicates anything, it is perhaps merely slight uncertainty as to major premises from which to approach the problem.

No one can discuss social problems, questions of governmental structure, or even such mundane matters as state regulatory agencies without some assumptions regarding mankind and civilization—in this case, that portion of mankind and, we hope, civilization within the twelve "sample states." People who think about politics, public affairs, public administration, and political science may be classified as believers or unbelievers. Believers in the inherent, if potential, unity of men are inclined to think that integration in the plans and programs of

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government is something worth striving for, something to be stimulated and promoted in administrative and executive, as well as in legislative and judicial, institutions. Unbelievers, who see only an irreconcilable conflict of interests among men and groups, with everyone forced either by his inner compulsions or by the poverty of the planet, or by both, to live at the expense of his neighbors, do not concern themselves much with the unity of society.

Basic assumptions have an important bearing upon one's views of administrative organization and of administrative institutions. Organization is obviously a way of organizing people, a way of assigning duties and powers, to achieve an end. Whether or not one thinks an administrative structure is well designed depends fully as much upon what he thinks he is organizing as upon the features of the structure. The sad cynicism of isolationist thought stems from the same sources as the view that state administration and federal administration can be nothing more than the institutionalized conflicts of irreconcilable forces, in which common purposes can never be dominant. Observation of state and national politics can reasonably lead to this conclusion, and it always does so when the observer starts without belief in the unity of men.

But assuming that men have enough in common and that the planetary resources are sufficient to permit living together with peace and justice and perhaps a little happiness, it then seems worth while to attempt to facilitate the development of integrated plans and to aid their achievement. If the federal system was a milestone set in the eighteenth century to achieve legislative unity out of diversity, and if the institution of judicial review may be considered a nineteenth-century milestone marking a contribution of the courts to integrated government, promoting common interests while protecting individual interests from unnecessary curtailment, is it not the task of the twentieth century to perfect administrative and executive institutions which will help, not hinder, real integration of the richly diverse, but not inevitably conflicting, interests of modern society?

The United States has already made substantial contributions to such administrative institutions. We have developed executive leader-

ship in our cities and in state and national capitals; elected (as well as appointed) executives dependent upon public support have contributed mightily to the solution of the great crises in public policy. We have developed strong executives who have not been irresponsible. We have an embryo institution which, lacking some of the smoothness of parliamentary governments at their best, also avoids certain weaknesses of parliamentary governments.

We are experimenting with staff devices to implement executive responsibilities. Not all have been successful. Specialization among auxiliary staff is sometimes carried to ridiculous extremes. The use of other staff aids has not been sufficiently clarified in practice so that it can be generalized; it is still a somewhat obscure art. But there is reasonable hope for improvement.

In this process of developing administrative institutions which will contribute powerfully to the effective integration of public policy (in the sense that Mary Parker Follett used the term) is involved the question of the independence of state regulatory agencies. Fesler's study leads him to the conclusion that "full independence is an illusory will-o'-the-wisp"; that both periodic and day-to-day direction and supervision of a unified character by legislative bodies alone is impossible. He argues strongly that it is more important for regulatory agencies than for service agencies to be under the aegis of the executive. (A good many readers will doubt that the distinction is between service and regulation and that "service agencies have no special interests to serve" (page 65). There are highway departments as well as school boards!) Probably the author would permit the point to be restated in this way: Organic integration in administration is important in proportion to the unsettled questions of policy involved, in proportion to the need for progressive elaboration of policy, and in proportion to the interrelations of current governmental activities. If policies are stabilized and stay that way, organic isolation from the rest of the administration does little harm; but neither is it necessary. And first find the stabilized policies!

Running through Fesler's analysis is the very reasonable idea that government is but one phase of the total life of a community, not

something isolated. (Perhaps this is what he really means in his concluding "thesis.") The idea carries with it the thought that administrative integration is not something to be sought and achieved by organizational arrangements alone. Do we attempt to dominate our families or do we try to create a pattern of family life that provides the fullest development and expression for every member? Do we encourage our children to dominate their fellows or do we encourage them to discover ways in which all can play together with satisfaction? Do we cultivate the art of group thinking among our students so that each aids the other to clarify his thoughts and all achieve greater insight, or is discussion merely another word for debate with the purpose of domination?

Have students of public administration matched their studies of organization with work upon devices to improve the sharing of experience within an organization so that there will be a unifying body of common understanding? Have we thought of organization too much in terms of authority and too little in terms of communication? Has progress in personnel administration led inadvertently to rigid and stultifying specialization on rather arbitrary lines? Does not the existing tendency toward narrow specialities, with little transfer for training purposes, make for cellular isolation within administrative organizations? We have not yet experimented with indoctrination as a substitute for the numerous petty regulations which produce mountains of paper work in governmental housekeeping. We have only begun to attack the problem of consistent and coherent

governmental action, and a great deal should be done before anyone concludes that integration is unattainable and that the only choice is one between absolutism and feudalism.

As Fesler indicates, we have yet to approach systematically and directly the goals of impartiality and objectivity. Cannot a distinction be made satisfactorily between the responsibility of a chief executive for the over-all coordinate direction of administrative departments and the responsibility of department heads and subordinate executives for the impartial discretion which is vested in them directly by law to deal with specific cases? Necessity leads to such distinction in fact in the federal service. Presidents are not likely to choose to control the discretion of department heads in any significant number of specific cases—certainly not those in which judicial impartiality is properly a factor. Such division of responsibility can be further clarified if necessary. Comprehensive organization and case-to-case impartiality on the operating level are reconcilable. The distinction is not so easy to make in state administration, but it is by no means impossible. Impartiality and objectivity in the formal decisions of administrative officials are not dependent upon the board form of organization.

Students of public administration in the public service, in universities, and in research bureaus have a chance in the day-to-day work that goes into the development of administrative institutions to contribute materially to the unity of society. But to make that contribution they must have perspective and at least a little belief in mankind.

## New Light on Federal Power

By August W. Nagel, Brookings Institution

THE TENNESSEE VALLEY AUTHORITY, by JOSEPH S. RANSMEIER. Vanderbilt University Press, 1942. Pp. xx, 486. \$3.00.

**M**UCH of the heat generated by the advent of the federal government into the field of electric power production and distribution has been dissipated in the recent past. The embers of controversy over the propriety of this form of government activity may flare up briefly

with each new extension or expansion, but the activity as such seems firmly established in law and practice as a function of government. Tennessee Valley Authority, Boulder Dam, Grand Coulee, and Bonneville are impressive evidence to this fact.

There are, however, many questions to be raised and problems to be solved in connection with this type of governmental activity and the role of the federal government as entrepre-

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neur and manager. Political, economic, and social aspects are so commingled as to make clear-cut analysis of any one aspect exceedingly difficult. For example, one can hardly separate the political, economic, and social phases of a political decision to engage in an activity essentially economic in nature for social purposes. And yet this complex of problems is so important, particularly in view of the current emphasis on multiple-purpose development of water resources by the federal government, that thoroughgoing examination and appraisal of existing multiple-purpose projects is obviously necessary and desirable.

Thus the recent monograph on the Tennessee Valley Authority by Mr. Ransmeier is doubly welcome. First, it is a distinctive and valuable contribution to the available literature in this field and, second, it has the merit of illustrating both the usefulness and the limitations of the segmental approach to a many-sided problem. The author is not unaware of these limitations. Although the book is subtitled "A Case Study in the Economics of Multiple Purpose Stream Planning," it is both more and less than that. It includes an excellent account of the development of federal water resources policy up to and beyond the establishment of TVA, a penetrating analysis of the theory and problems of joint-cost allocation, and a brief but challenging section on planning and policy. A major share in the study is awarded to the problems of investment cost allocation, as indeed is proper in view of its great importance for both planning and operations where reliable measures of the economic feasibility of an activity or complex of activities are essential. The TVA project is illustrative on both counts.

The Tennessee Valley development project has three major purposes—power production, flood control, and navigation—as well as a number of minor ones which we need not consider here. The act authorizing creation of the Tennessee Valley Authority made provision for the sale of power alone among the benefits produced. A subsequent amendment to the act provided that "... in order, as soon as practicable, to make the power projects self-supporting and self-liquidating, the surplus power shall be sold at rates which ... will produce gross revenues in excess of the cost of production of said power." Obviously, in order

to carry out this provision of the act it was necessary to determine what costs the rates must be designed to cover. It was here that the problems of cost allocation became acute.

There is no room for argument on the proposition that all *direct* costs of producing power, including direct investment as well as direct operating costs, should be assessed against power revenues. Fundamental disagreement comes with the consideration of joint costs, i.e., those costs which are not separable because the structure which they represent is essential to more than one purpose. Since the main controversy has centered on joint cost allocation, this review will follow Mr. Ransmeier in giving major consideration to that problem.

Joint cost allocation is important in two phases of the life of multiple-purpose water resources development, planning, and operations. It has been generally considered, by the National Resources Planning Board among other authorities, that joint cost allocation is a prerequisite to sound planning and programming of multiple-purpose enterprise of whatever character. According to this view, no realistic basis for the evaluation of and comparison between alternative multiple-purpose projects, or between a multiple-purpose project and alternative single-purpose projects producing equivalent benefits, seems possible without joint cost allocation.

Mr. Ransmeier disagrees. In a chapter on the economics of feasibility he makes an ingenious, if not altogether convincing, challenge to this position. He holds that "the feasibility of a project is contingent simply upon the relation of total project cost to total benefits," and that the feasibility of any one purpose of a project is contingent only on direct purpose cost relative to purpose benefits. It does not seem, however, that there is any necessary connection between the two. The former is theoretically unassailable while acceptance of the latter would seem to necessitate showing either (1) that the rest of the project is feasible exclusive of the particular separate purpose or (2) that the sum of the purpose benefits need be balanced only against the sum of direct purpose costs, ignoring any consideration of joint costs, and/or (3) that feasibility need not be considered in relative terms even where alternative ways of spending limited funds are demanding attention. The first of these propositions is a

special case; the others are questionable, to say the least. In any event, Mr. Ransmeier effectively scuttles all argument, his own as well, by concluding that "social considerations and public policy rather than hypothetical benefit valuations will be found to provide the more honest and satisfactory guides for public water planning"!

Under certain conditions, however, "direct costs only" may be a valid basis for planning. For example, where a decision is to be made respecting a change in or addition to a project already in operation, "direct costs only" should be used to compare the cost-benefit ratio of the proposed change with that of the best alternative method for producing equivalent benefits if no change in joint facilities is required. But the fact that "direct costs only" may be so used in the planning process need not in any way prejudice the establishment of an "economic price" for the utility produced even though the addition to the project involved no addition to joint facilities. Where an "economic price" to consumers is the goal of price policy, allocation of joint costs seems essential to the pricing operation. At least, this principle has been accepted as public policy in the case of TVA. Where, however, an economic price is not the goal of price policy, cost considerations may be relatively unimportant.

The TVA controversy was exceedingly fruitful of suggested methods for cost allocation. These ranged all the way from the direct costs only method, which, as has been indicated, ignores joint costs, to the 100 per cent charge method advocated by public utilities spokesmen as the only fair basis if TVA costs and rates were conceived as "yardsticks" for judging or prejudicing the costs and rates of privately owned public utilities. This method requires that 100 per cent of all investment not made directly for other purposes be charged against power. Between these two extremes there are, among others, the equal charge, relative benefit, relative national benefit, alternative justifiable cost (apparently followed by TVA) and capitalized income methods.

Each of these techniques is subjected to critical examination and analysis by the author. He concludes that all methods of joint cost allocation are defective on theoretical or practical grounds or both; that whatever the method used, the results are to a greater or

lesser extent arbitrary. On purely negative grounds, therefore, Mr. Ransmeier, rejecting any form of joint cost allocation, argues that "direct costs only" is the most satisfactory base for determining whether or not TVA or any federal power production is self-liquidating.

With due respect for the author's extensive, not to say exhaustive, treatment of the subject, it is not likely either that his conclusions will be generally acceptable or that they will tend to abate the current controversy. The fact that there are varying degrees of arbitrariness in all techniques for joint cost allocation thus far devised does not seem to warrant complete disregard of the principle if it is otherwise admittedly valid. In any case, nothing could be more arbitrary than to discard the principle entirely because of perhaps minor faults resulting from imperfections in the techniques of application. A reasonable approximation based on all the facts would seem preferable to any technique which ignores them.

If, as Mr. Ransmeier believes, public policy and social considerations provide the more honest and satisfactory guides for public water planning, some remarks about these guides will not be out of place here. Public policy is the result of many forces in competition and conjunction. In the formulation of public policy economic facts and economic fallacies play such significant parts that no effort should be spared to establish the former and eliminate the latter. Emphasis on direct cost only as the sole guide either to feasibility or to "economic price" does not seem to the reviewer to further sound public policy. The limitations as well as the uses of this approach should be made clearly evident. Moreover, if sound public policy is the goal and if the key to such policy is in an informed public, political and administrative effort to popularize the notion that federal power production "costs" are in any sense a yardstick for measuring the efficiency of private power production is not helpful. Not even joint cost allocation provides a fair basis for comparison where non-vendible utilities are produced jointly with power.

"Social considerations" is one of those conveniently vague phrases which can be used to justify almost anything. It is, nevertheless, a useful term for lumping together a vast variety of factors which properly influence decisions by government. These factors are not static;

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they change constantly in kind and in significance. Their feasibility is, moreover, dependent on economic considerations; that is to say, the ability to pay of the economy as a whole is a limiting factor. Thus, while undoubtedly social considerations should be given some weight in water resources planning, it is difficult to see that either they or the public policy of which they are a part are more honest and more satisfactory as guides than cost-benefit criteria, however imperfect the latter may be.

Students of public administration will find the author's discussion on the need for and the requirements of a coordinated federal water policy most interesting. The present confused and confusing division of responsibility for water resources planning among various federal agencies is demonstrated and deplored. And, although compressed into the brief space of one chapter, Mr. Ransmeier's discussion omits few, if any, of the more significant aspects of planning on the national level. A comprehensive scheme for the effective organization of national planning is outlined. The author believes

that master plans should be prepared for all major drainage basins of the country and that these should be consolidated into a national plan by a co-ordinating committee for water resource planning. There should also be developed a six- to ten-year program for achievement of the initial stage of the national plan. Both the proposed initial stage and the ultimate plan should be submitted for review to advisory committees on conservation problems, legal problems, and transportation. Appropriately modified, programs for achievement of the plans should be submitted for review by a committee on the fiscal aspects of public works disbursements. With the recommendations of this committee both the proposed national plan and the construction program should be forwarded to the President, and, through the President, to the Congress.

In Congress it is possible that the existing committee organization would not be found well suited to handle legislation for a comprehensive nation-wide water plan such as we here advocate. Eventually the logic of events points toward the formation of Congressional standing committees on water resources. Meanwhile, working arrangements between existing committees could be employed to handle the new comprehensive legislation.

In respect of project administration Mr. Ransmeier agrees with most students that de-

centralization should be maximized so far as is consistent with the requirements of coordinated national policy. "As guides [in the operation of the projects] clear directives of policy should be prescribed in legislation establishing the agencies. Subject to these directives, each regional authority should be allowed reasonable discretion in its implementation of policy." The arguments for administrative decentralization are so well established that it is not necessary to enumerate them here. They revolve about the need for flexibility in operations to meet changing and unpredictable conditions as well as recognition of the fact that adequate delineation of relative minutiae for so comprehensive a project as TVA would be extremely difficult, if not impossible, to achieve from afar. Certainly it would make for less efficient operation and, in all probability, for less effective coordination with state and local governments. The corporate form of organization does not seem essential to the desired degree of management freedom. As a matter of fact, it is possible to provide legislatively for even greater independence (than that now enjoyed by TVA) via regular governmental agency status. The important question, not yet answered, is: how much independence is necessary for greatest efficiency in management? Corollary to this is the question: what is the critical point where efficiency considerations become subordinate to the necessity for control?

The literature on federal water resources planning and activity, to which Mr. Ransmeier's monograph is a notable addition, is already extensive. It continues to expand rapidly. From this fact hope springs that the day is not too far distant when a comprehensive analysis and evaluation of the multiple-purpose project will be produced. This relatively new institution, with its complex of political, economic, and social causes and effects, deserves investigation along the broadest possible lines. Nor should its objectives themselves be overlooked. Until such comprehensive study is forthcoming, sound public policy in the area of water resources development is problematical.



## The Biography of a Corporation

By Harvey F. Pinney, Office of Price Administration

THE PORT OF NEW YORK AUTHORITY, by ERWIN WILKIE BARD. Columbia University Press, 1942. Pp. x, 352. \$3.50.

**I**N THE past six years several studies of the government corporation or public authority have appeared. The number of them is testimony to the topical interest of the subject and to the importance of the corporate device in current governmental evolution. No such study has yet succeeded in framing the government corporation in its institutional background so as to synthesize, in proper balance, the legal, political, administrative, economic, and other institutional factors underlying its development.

The Port of New York Authority is one of the most significant American examples of this form of governmental activity. While it does not comprehend all the major factors important to the analysis of the genus as a specimen of government organization, it does focus attention on institutional peculiarities of American governmental structure that have forced administrative innovations to secure desired ends.

One of the basic contradictions in American social organization causing substantial strain on the political framework is the conflict between the ecological unity generated out of the adaptation of economic activity to physiographic conditions, on the one hand (a development accentuated by technological advance in transportation, communication, and the instruments of exchange), and the archaic, cellular, political diversification represented in state and local governments, on the other. States rights and home rule arguments have been polemical in nature. They have all too frequently been unintelligent rationalizations of vested interests. They have often constituted a categorical line of attack or defense covering the appropriate and inappropriate rather than making a case for those things appropriate to state or local management.

The growing centralization of power in larger units of government is a laggard adaptation of political superstructure to an economic evolution running far ahead of political

change. This centralization has not been a logical or uniform development because the channels through which the forces generating it have had to flow have been many and devious. Some counties have grown to dominate the communities within them; some cities have swallowed up counties; cities have contended with states for power and have, in recent years, undermined states rights to secure federal gratuities.

The Port of New York Authority is a governmental recognition of the ecological unity of the New York metropolitan region. It focuses attention on the port as a transportation and trans-shipment center, and its major activities have centered around organizing the terminal transportation facilities of the port, on the one hand, and constructing bridges, tunnels, and terminals to facilitate entrance into, egress from, and exchange within the port area, on the other. The authority has sought unification of terminal railroad facilities, planned and economic use of lighterage and port marine transportation, systematically organized central terminals for rail and truck deliveries and pickups, and a pattern of highway communication with Manhattan designed to give large freedom to the ebb and flow of the city's vast daily pulse.

The governmental recognition of the port's unity involved crossing the line between the states of New York and New Jersey and overcoming the particularistic prejudices of a large number of local communities. It required the invention of a governmental mechanism which would be able to view the port as a whole, which would not too sharply offend the sensibilities of local patriots and political conservatives, and which would be in a position to achieve, by persuasion or otherwise, the political and organizational actions for which the fact of economic unity called.

The corporate mechanism offered features suitable to securing these ends. It is a form of social action with which the business community is familiar and therefore reasonably ready to accept, as was demonstrated by the many government corporations which came into existence during the first World War and again under

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the New Deal. It is an instrumentality which, through its board, can be made representative of interests, areas, or expertise. It is a legal entity which can make policy and administrative decisions, buy, hold, and sell property, and, commonly, engage in litigation. (The words "to sue and be sued" were left out of the acts creating the Authority and, after some years of thinking that it could be sued, the courts held that it is immune from suit. Dr. Bard does not explain the omission of this phrase.) It is an administrative organism which can bring together men and materials and construct physical facilities, operate commercial adventures, and, if authorized to do so, regulate the conduct of others. It is a fiscal device ingeniously designed to secure funds from multiple sources, to employ flexible techniques of borrowing, and to finance operations by charging the direct beneficiaries. In short, it can be used for *ad hoc* governmental functions relating to territory, to persons, or to operations without requiring any immediate substantial or revolutionary modification of existing governmental structures.

Dr. Bard's historical account describes many of the features developed and used by the Port of New York Authority. Its birth was attended by considerable travail in which the logic of the proposal contended with that inertia and fear of novelty which pervades all established institutions. Once New York and New Jersey had agreed on a compact and secured the appropriate Congressional blessing, and the Authority had been brought into existence, the struggle took on a different character. The first task undertaken was the drafting of a comprehensive plan which would forecast the development of the port and set forth the line of policy to be pursued by the Authority. Fundamentally, the plan was a transportation plan and its execution depended upon breaking down the traditional competitive isolation of railroad terminal activities as well as providing for the construction of new facilities.

It is characteristic of social behavior to approve "planning" for the other fellow or to tolerate plans in the proper stage; but once some agency undertakes the installation of a plan which modifies habit patterns, limits supposed property rights, alters the structure of earnings, and threatens an end to further enclosures of real estate or other prerogatives,

the honeymoon days are over. The pre-plan enthusiasm of the railroads for cooperation with the Authority soon wilted at the prospect of action. The Authority undertook, in the course of time, various strategies for accomplishing its ends. It made surveys, analyses, reports; it called conferences; it persuaded the Interstate Commerce Commission to hold hearings and attempted to get the Commission to issue orders to the railroads compelling the behavior the Authority sought; it threatened, cajoled, pleaded; and, eventually, it accepted the specious pleas of the railroads that they must maintain the competitive system because it was in the public interest and thereafter dealt with the railroads individually or in smaller groups to obtain piecemeal cooperation of a sort. If the Authority had advantages to offer, the railroads might compete for them.

It cannot be said that the Authority had any overwhelming success with the railroads. The average citizen of the region will not, in fact, associate the railroads with the Authority at all. The Authority happily began to find itself at a time when motor transportation was going through a period of expansion comparable to that of the railroads in the seventies and eighties. It turned its attention to the construction of bridges and tunnels linking points on the Jersey shore with each other and with Manhattan. It acquired the Holland Tunnel—first of the great highways across the Hudson. It built the George Washington Bridge soaring over the river at the upper end of Manhattan Island and constructed the recently finished Lincoln Tunnel. It built the huge Union Island Freight Station in Manhattan. It is for these magnificent public works that the Authority is popularly known.

Dr. Bard spent a number of years on the manuscript, a portion of which was offered to fulfill the requirements for the doctoral degree at Columbia University. It is a combined historical and analytical account, with its strength lying in the narrative description of things and events rather than in the analysis. Part I discusses "The Comprehensive Plan" under the subheadings of "The Compact," "The Comprehensive Plan," "Administration by Coercion," "Administration by Persuasion," "Administration by Acquisition" and "Conclusions." Part II treats "Vehicular Bridges and Tunnels," "Finance," and "General Administration."

In his Foreword Dr. Bard says: "In the literature of public administration this monograph may be categorized as an institutional study. More aptly, it might be described as an institutional biography." It is an "institutional" biography in the sense that it is the biography of an entity which may be called an institution. As an adventure in institutional analysis, however, it falls short of the requirements of that methodological approach. The subject matter is not organized to bring the institutional factors fully into focus, and the exposition tends toward a recital of chronologies organized around aspects of the Authority's work and overlapping in time.

The account brings together a substantial array of information on the Authority's history and activities and exhibits from time to time keen insight into political, economic, and institutional factors underlying events. It distinguishes periods characterized by "coercive," "persuasive" and proprietary activities on the Authority's part and records the behavior of railroads, municipalities, states, the War Department, and other prominent elements affecting the Authority's efforts at critical points in its history. It calls attention to innovations developed by the Authority in organization, engineering, and finance.

In spite of these very considerable merits, the study does not develop a coherent and rounded view either of the Authority itself or of the form of governmental organization it represents. While at certain points Dr. Bard criticizes policies pursued by the Authority or elements of its organization and procedure, he does so by introducing brief paragraphs on how the author "feels" about it or by raising somewhat rhetorical and inconclusive questions on what might have happened if the Authority had pursued some other course or were differently organized. The difficulty lies in Dr. Bard's deliberate avoidance of the comparative approach, his omission of a theoretical analysis of the place of the Authority in American governmental institutions, and his failure to give his subject a rigorously critical appraisal.

An institutional analysis is more than a historical account, even though that be broken up into somewhat functional, overlapping segments. Institutions are understood by a careful synthesis of means-end and cause-effect analyses which reveal, on the one hand, the conceptual

frame of reference within which the subject acts and, on the other, the pattern of generative factors leading to its establishment and the nature and direction of its growth. A critical appraisal of a governmental organism should evaluate its conceptual adequacy in relation to its influence on its environment and should be able to assess successes and failures in terms of the relation of organization to purpose and of both to environment.

Specifically, the government corporation is a theoretical concept related to the general pattern of ideas about American governmental structure. It has a discernible connection with all the basic concepts affecting our understanding of government—constitutional government, the rule of law, the separation of powers, the division of powers, government by consent of the governed, and so on. It is also conceptually associated with that vast body of ideas connected with private property, business practices, and the private corporation. It is, furthermore, related to a collection of concepts used in both government and private activities—administration, management, and fiscal operations.

The Port Authority is a specific application of this concept, a concrete and individual example of it. It is the concept in action in a concrete environment—an environment which generated the forces leading to the concept's being employed and which contained all those elements helping and hindering the realization of purpose embodied in the concept. As such, the concept may be appraised in action as to the appropriateness of the government corporation to the end to be achieved, as to the effectiveness of the detail of organization, as to the achievements of the agency in action, and as to its influence on the evolution of governmental theory and government practice.

These general elements of institutional analysis can be brought down to quite specific items, each to be treated in the proper frame of reference. Where does the government corporation fit in the established pattern of executive-legislative relations? What modification does it make in established ideas on popular control of governmental agencies? What influence does it have on the contrasting concepts of public and private administration and management? What changes does it induce in the theory and practice of financing types of enter-

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prise? What contributions does it make to the technique of planning and executing large-scale social endeavors? Many other such specific questions worthy of institutional analysis and appraisal might be raised.

In Dr. Bard's work there is no consistent analysis of this character. He describes events relating to the acts of governors and legislatures but does not go far in appraising the institutional significance of the Authority in this connection. He makes no careful analysis of the legal status of the Authority, though he reports on cases affecting its powers, suability, and tax exemption. He does not evaluate the Authority as an instrument of government, though he criticizes, without adequate implementation, its attempt to "coerce" the cooperation of railroads. He does not examine and measure the effectiveness of its management practice or appraise the significance of its freedom from civil service controls. He comments on the problem of project fiscal responsibility and how such responsibility is blurred by merging the funds of several projects but does not analyze and develop the highly important aspects of agency fiscal responsibility growing out of the Authority's use of profitable projects to assist the financing of unprofitable ones.

These and similar matters illustrate the reasons for terming the book historical and descriptive rather than a study in institutional analysis. As a historical account it provides a highly useful and interesting story of a significant and unique governmental agency. It brings together some portion of the body of information necessary to make an institutional study. It leaves to the future, however, the kind of study which will reveal somewhat fully the potentialities and limitations of the form of governmental agency represented in the Port of New York Authority.

Perhaps a word should be said about the potentialities of the New York metropolitan

region as a center for the institutional analysis of governmental institutions. Not only is it an enormous complex of municipalities dominated in varying degrees by New York City itself, not only is it America's greatest port and most heavily populated area, not only has it long been the fiscal management head of the corporate economy of the United States, but it is also a center of large-scale governmental activities of an intensely interesting sort. The New York City owned water supply system represents a capital investment in excess of that of the TVA; its publicly owned subway system is a tremendous public enterprise; its Department of Docks owns and operates terminal facilities of great value; its Department of Public Works operates the tremendous bridges spanning the East River; its Department of Parks operates recreational facilities on a grand scale. The politics of New York City and its environs are fascinating. The relations of the city with its neighbors and with its parent state and the federal government invite exploration. From 1937 to 1941 it had what was rated as the best large-scale civil service system in the country.

It is this wealth of varied political and administrative experience which makes the region a mecca for governmental research. For example, someone may some day build on Dr. Bard's historical and factual work to compare the Port of New York Authority, the Department of Water Supply, the Department of Docks, and other large proprietary or quasi-proprietary activities of the city with a view to reaching significant conclusions on the organization, management, financing, and control of such public endeavors. Such studies should be of considerable importance. The post-war chaos of jurisdictional conflicts in Europe may be resolved to some degree by the use of such corporate instrumentalities adapted to specific needs and purposes.

# Contemporary Topics

## Postwar Administration

ADMINISTRATIVE agencies and unofficial organizations which have been drafting plans for the postwar period have come to a consensus in their fundamental approach to several primary administrative questions. The three major reports which have recently been forwarded to policy-determining authorities agree in urging that federal, state, and local agencies, private business, and unofficial organizations all work together on each of the major problems of public policy, rather than attempt to restrict each other to a particular function.

"Under modern conditions with our complex technology and wide-spread mechanization, close cooperation is the best basis of organization," according to National Resources Development, the Report for 1943 of the National Resources Planning Board. Postwar administrative organization "will involve institutions which will be governmental, private, and mixed." The Report comprises plans for the development of an expanding economy through cooperation of all levels of government and private enterprise, and plans for services and security on a similar cooperative basis. It proposes the strengthening and expansion of state and local programs so that state and local agencies may assist private industry in the conversion of war plants and the development of new postwar industries, assist in the demobilization and employment of men now in the military service, and undertake the clearance of slums, the redevelopment of cities, and the improvement of transportation facilities.

The NRPB in effect proposes that the federal government strengthen both private enterprise and state and local self-government by freeing them for the most effective type of action and guiding their programs into the most productive channels.

The Committee on Intergovernmental Fiscal Relations of the Treasury Department emphasizes even more explicitly that cooperation among agencies of government at all levels would be the only practicable approach to the overall administrative problem. "There can be

no completely logical and clear cut solution. . . . The best to be achieved in a federal state is a working compromise, even as the federal state itself is in its origin a compromise. . . . The centralization of all the major taxes in the hands of the federal government would provide a simple, logical, orderly, and well-coordinated tax system. The centralization of the major service functions would avoid the confusion of transfers of money and would enable of application of receipts where they are most needed. Together these steps . . . would give the federal government quite ample fiscal powers to deal with our unstable private economy. But there is no assurance that the resulting unwieldy machine would not have worse internal incoordinations and inefficiencies than the external one so apparent in our present makeshift arrangement. . . . *A priori* generalizations concerning centralization are of little use. Each specific problem has to be considered on its own merits."

The Report on Intergovernmental Fiscal Relations proposes the creation of a Federal-State Fiscal Authority to promote close collaboration among state and federal administrators, to facilitate interstate cooperation, and to act as a research agency and a clearing house for information and ideas. The Report proposes that the Authority consist of one member appointed by the President, one elected by a conference of delegates named by state governors, and one chosen by these two.

The Report of the Committee on Long-Range Work and Relief Policies of the National Resources Planning Board likewise recommended the continuation "of a system of potentially overlapping categories and services" and the "administrative participation of all levels of government." The allocation of administrative responsibility between levels of government, it insists, must "be considered anew in regard to each separate program and . . . the vital determinants are the potentialities of each level of government for the performance of the functions called for by each program and the degree of importance attached to the securing of national minimum standards of perform-



ance." The Report, again like the Report on Intergovernmental Fiscal Relations, recommended that there be established a continuing national advisory body; the board that it recommends would include persons able to speak for federal and state agencies, employers and workers, and economic and administrative experts, while advising the President, the Congress, and the country on the operation of public aid measures.

Meanwhile, steps are being taken by the Council of State Governments to organize the states for participation in postwar reconstruction and redevelopment. A series of regional meetings was begun on April 2 to discuss the legislative and administrative measures necessary during the postwar period. A complete consensus has developed at these meetings that each state should have a strong administrative agency for the planning of a postwar program.

The American Municipal Association and other organizations of municipal officials have created committees on postwar problems and are considering the role of cities in that period.

Among the private organizations working along similar lines are the National Planning Association and the Committee for Economic Development. The National Planning Association, a private membership organization of men in the field of business, labor, agriculture and government, is carrying on a series of studies on various aspects of the postwar program, all of which assume a high degree of cooperation between private and public institutions of all types. The Committee for Economic Development, a privately supported organization of business leaders founded at the suggestion of the Secretary of Commerce is making plans for reconversion of industry and the maintenance of a high level of employment after the war.

These various and occasionally rival groups are able to reach an agreement on postwar programs not only because of their reliance on a common body of knowledge but also because of their exchange of personnel. The chief of staff of the Treasury Department's study of Intergovernmental Fiscal Relations, for example, is a former member of the Wisconsin State Assembly and State Tax Commission; the chairman of the NRPB Committee on Long-Range Work and Relief Policies is a former director of the Michigan State Emergency Relief Ad-

ministration and a member of several state administrative boards and commissions. On the other hand, the research director for the Council of State Governments was a special advisor to the Treasury fiscal study; most of the leaders in the unofficial National Planning Association have been in government service; and several of the staff members of the Committee for Economic Development have worked on planning and economic research for federal agencies.

### Congested Production Areas

TO COORDINATE governmental activities in areas where services have become inadequate as a result of large increases in population, a federal committee has been established with the power to coordinate all activities of federal agencies within such areas.

The Committee for Congested Production Areas, created by a recent executive order, includes the Director of the Budget as chairman and six members to be designated by the President, one each from the War Department, the Navy Department, the War Production Board, the Federal Works Agency, the National Housing Agency, and the War Manpower Commission. Most of the communities in which congestion had threatened to cause a breakdown in essential services were seaport towns with concentrations of both industry and naval activity.

The Committee is to designate the areas to which the order is to be applied and to appoint a Director to administer its affairs. The Director is to choose an area director to coordinate federal activities and promote intergovernmental cooperation in each congested area.

The Committee is given authority to control the operations of all federal agencies within the areas that it designates as congested production areas. The executive order provided that "the policies and decisions of the Committee with respect to any Congested Production Area shall be controlling on all Federal agencies to which they apply," and that the departments and independent agencies affected should issue "appropriate orders and instructions . . . to insure compliance with the policies and decisions of the Committee."

In order to secure coordination at the area level, the order requires that all departments

and agencies concerned delegate appropriate authority to their supervisory officials within each area, and report the names of those officials to the Director of the Committee. If the area director finds any problems which he is unable to resolve, he is instructed to report them to the Director, and may recommend a course of action for all federal agencies. The Director is then instructed to "advise with the Federal agencies concerned to the end that coordination may be secured."

The Committee may act by a vote of the majority of those in attendance at any meeting, with the chairman and each member or his designated alternate having one vote.

The Committee, according to the executive order, is to "cooperate with and supplement the efforts of State and local governments" in each congested area, and the area director, "after consultation with local, State, and Federal officials in the area, and with the approval of the Director, shall designate an Area Advisory Council which may include representatives of the State government, local governments, and local communities in his area, and Federal agencies having supply or operating facilities in the area which are directly related to the war program. The Area Advisory Council shall meet upon the call of the Area Director for the purpose of advising with him concerning problems arising out of congestion within his area."

The order was issued by the President under the First War Powers Act of 1941.

## The Role of Legal Staffs

AN ORDER defining the relationship between the administrative and legal staffs of an operating agency was issued early in April by the Office of Price Administration.

The OPA, which formerly required that both legal and administrative staffs approve most of its actions, put full responsibility for administrative decisions in the hands of operating officers, and confined attorneys to the responsibility of providing legal counsel and assistance.

In defining the new relationship of the legal staff to the executives of both the major divisions of OPA and its field offices, the OPA Administrator laid down the following principles:

When the head of the Price, Rationing, or Rent Departments presents a regulation for my signature or when he takes action in my behalf in accordance with policies which I have laid down, I shall hold him strictly accountable for the propriety of the action on all counts. In the field organization the regional administrators and district managers are also fully responsible for the conformance of their actions to these requirements . . .

There is to be no misunderstanding as to the essential function which our legal staff has in giving to our formal actions correct legal form and in insuring their conformance to Constitutional and statutory requirements. In performing this function the attorney shall act in the role of legal counsel to the head of the branch, or equivalent or higher office, to which he is assigned.

While it is a definite obligation of such an operating officer to seek and give careful consideration to the advice of legal counsel, he has the principal responsibility for making the necessary decisions and the results of the actions are his responsibility.

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# News of the Society

LOUIS Brownlow, director of Public Administration Clearing House, was re-elected President of the American Society for Public Administration at the annual business meeting of the Society in Washington, D. C., February 16. Lieutenant Colonel Joseph P. Harris, of the School of Military Government, was re-elected Vice President of the Society. Gordon R. Clapp, General Manager of the Tennessee Valley Authority, has been appointed editor-in-chief of *Public Administration Review* in place of Leonard D. White, professor of public administration at the University of Chicago, who resigned in February after serving for the first two and a half years of the existence of the *Review*.

Miss Julia Henderson, of Wellesley College, and Samuel C. May, of the Bureau of Public Administration at the University of California, were re-elected as members of the Council, and C. A. Harrell, city manager of Schenectady, N. Y., was elected to serve with them.

William E. Mosher, dean of the Maxwell Graduate School of Citizenship and Public Affairs at Syracuse University, who presented the report of the Nominating Committee at the meeting of February 16, said that the Committee had agreed unanimously that the unusual circumstances of the fourth annual business meeting made it advisable to renominate those officers and Council members whose terms were expiring. The Committee, the other members of which were Harold D. Smith, director of the budget, and Miss Lavinia M. Engle, a regional director of the Social Security Board, had agreed that it would be unwise for a meeting with only members of the Washington Chapter in attendance to choose officers for the national Society, since it had been necessary to cancel the annual meeting scheduled to be held in Chicago in December. The Committee proposed that the officers and those Council members whose terms were expiring be re-elected, with the exception of Frederic P. Bartlett, who was serving as a staff member of the National Resources Planning Board in Puerto Rico and was not in a position to continue serving actively as a Council member.

Mr. White will continue to serve as a member of the Editorial Board of *Public Administration Review*. Three new members will serve on the Board during 1943: William Anderson, chairman of the Committee on Public Administration of the Social Science Research Council; Charles S. Ascher, regional representative of the National Housing Agency, New York; and Edwin E. Witte, regional chairman of the National War Labor Board, Detroit. Members of the Board who have been reappointed for 1943 are Frederick F. Blachly, Pendleton Herring, and Stuart A. MacCorkle.

Mrs. Hazel Jackson has been appointed Secretary-Treasurer of the Society since the resignation of MacDonald Salter.

The report of the Secretariat for the year 1942, presented at the annual business meeting, showed that the membership of the Society continued to increase during 1942 in spite of the difficulties of wartime. At the end of 1941 the total number of memberships and subscriptions was 1,927; at the end of 1942, 2,051. The Society had members or subscribers in every state in the Union; in the Canal Zone, Hawaii, and Puerto Rico; and in Argentina, Brazil, Canada, New Zealand, Peru, Tasmania, and the Union of Soviet Socialist Republics.

The chapters of the Society were more active during 1942 than during the previous year. The twelve chapters held altogether forty meetings during the year and in several cities groups of Society members which have not been formally organized as chapters held other meetings during 1942.

At the end of March, 1943, the membership of the Society was 2,023. The maintenance of the membership at this level has been partly the result of the continued support of those members who have gone into the armed services.

## Chapter News

THE Alabama Chapter has elected the following officers to serve for 1943:

President—Mrs. Edwina Mitchell, member of the State Board of Pardons and Paroles

Vice-President—W. O. Dobbins, Jr., director of the State Planning Commission  
 Secretary-Treasurer—Roscoe C. Martin, director of the Bureau of Public Administration, University of Alabama

Directors of the Chapter will be elected at a later meeting.

The San Francisco Bay Area Chapter had a dinner meeting February 11 at which James Bryant, Don Roney, and W. B. McCarter, all staff members of the regional office of the War Manpower Commission, explained the work and purposes of the Commission.

On April 8 at another dinner meeting, the group discussed "Price Control by the OPA and Our Federal System," with Edwin A. Cottrell of Stanford University acting as the moderator. Charles Aikin, on leave from the University of California and now State Price Officer for OPA, discussed the organization of OPA in terms of its relation to Washington and to the local community, explaining the three types of activities in price control which could conflict or lead to cooperation with local government: (1) direct price control by the local unit—state milk regulation; (2) proprietary activities—garbage collection; and (3) the courts on whose cooperation rests the enforcement of certain provisions. Mr. Rolph, also on leave from the University of California to serve as economist for the regional office of OPA, discussed the relations of the federal with state and local units. Mr. Vehlow, fluid milk analyst for the Division of Market Enforcement, State Department of Agriculture, appraised the OPA program as a state administrator cooperating with OPA in fixing prices on one commodity.

The Minnesota Chapter held its mid-winter meeting February 18. About seventy members and guests assembled to hear L. P. Cookingham, city manager of Kansas City, Missouri, speak on "City Manager Government—Kansas City."

The New York Metropolitan Area Chapter held its third meeting of the season March 9,

when Sir Henry Bunbury, formerly chairman of the British Institute of Public Administration and now a member of the Executive Council of Political and Economic Planning, London, spoke on "The British Idea of a Planned Democracy: The Role of the Civil Servant."

Commander Joseph Pois, chief of the administrative management division in the office of the Commandant of the U.S. Coast Guard, spoke at a dinner meeting of the New York Chapter on May 13. His subject was "The Coast Guard's Experience with Administrative Planning."

The Washington, D. C., Chapter continued the round table discussions on public relations problems begun in December. On January 14, W. D. Boutwell, director of Radio and Information Service, U. S. Office of Education, spoke on "How the Government Distributes Publications in Wartime." Chief participants in the discussion were Carl H. Milam, executive secretary of the American Library Association, who reported on wartime distribution practices, and a panel of government officials concerned with distribution problems.

On January 15, George F. Olsen, chief of the training branch, Office of the Secretary of War, spoke on "Responsibilities of the Supervisor in Planning the Work of His Unit." This discussion involved matching work to individuals, the distribution of assignments, and establishing controls.

On January 27, William Haber, director of the Bureau of Program Planning and Review, War Manpower Commission, spoke on "Administrative Implications, WMC Policies." This discussion was concerned with administrative and policy questions of the War Manpower Commission, with specific reference to some of the issues involved.

The annual meeting of the Chapter was held February 16 in conjunction with the annual meeting of the national Society. Luther Gulick, director of the Office of Organizational Planning, War Production Board, spoke on civilian administration of relief and rehabilitation in foreign countries, and Lieutenant Colonel Joseph P. Harris, School of Military Government, discussed military government of occupied territories.



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